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Broadway Trust Company,
New York

Practical questions and
answers

New York

[c1917]

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PRACTICAL
QUESTIONS AND ANSWERS

FEDERAL TAX LAWS
AFFECTING
INDIVIDUALS, PARTNERSHIPS
AND
CORPORATIONS

OCTOBER 1917

BROADWAY TRUST COMPANY
WOOLWORTH BUILDING
NEW YORK CITY

PRACTICAL
QUESTIONS AND ANSWERS

FEDERAL TAX LAWS
AFFECTING
INDIVIDUALS, PARTNERSHIPS
AND
CORPORATIONS

October 1917

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BREED, ABBOTT & MORGAN, *Attorneys*,
NEW YORK.

BROADWAY TRUST COMPANY
WOOLWORTH BUILDING, NEW YORK

This pamphlet is the third edition of "Practical Questions and Answers" covering the Income Tax Law. It also contains a digest of all of the Federal Tax Laws now in force affecting individuals, partnerships and corporations, except the tariff law, the tax on distilled spirits and certain other internal revenue tax laws of limited application that have been on the statute books for many years.

Dec. 8, 1924, Rev.

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INCOME TAX CHART.

This chart and notes, show total income tax payable by individuals under all Federal Income Tax Laws now in force after allowing personal exemptions.

- (1) Law 1913-1916 as amended 1917 Normal tax 2%—Personal exemptions \$3,000 or \$4,000.
- (2) Law 1913-1916 as amended 1917 Normal tax 2%—Personal exemptions \$3,000 or \$4,000.
- (3) Law 1917 Normal tax 2%—Personal exemptions \$3,000 or \$4,000.
- (4) Law 1917 Normal tax 2%—Personal exemptions \$3,000 or \$4,000.
- (5) Excess Profits Tax is not included in this Chart. See Note.

INCOME.

TOTAL TAX.

	Married	Unmarried
\$ 1,000	No Tax	No Tax
1,500	No Tax	10
2,000	No Tax	20
2,500	No Tax	30
3,000	10	40
3,500	20	50
4,000	30	60
4,500	40	80
5,000	60	100
5,500	80	120
6,000	105	145
6,500	130	170
7,000	155	195
7,500	180	220
8,000	205	245
8,500	235	275
9,000	265	305
9,500	295	335
10,000	325	365
10,500	355	395
11,000	380	420
11,500	405	445
12,000	430	470
12,500	455	495
13,000	480	520
13,500	505	545
14,000	530	570
14,500	555	595
15,000	580	620
15,500	605	645
16,000	630	670
16,500	655	695
17,000	680	720
17,500	705	745
18,000	730	770
18,500	755	795
19,000	780	820
19,500	805	845
20,000	830	870
20,500	855	895
21,000	880	920
21,500	905	945
22,000	930	970
22,500	955	995
23,000	980	1,020
23,500	1,005	1,045
24,000	1,030	1,070
24,500	1,055	1,095
25,000	1,080	1,120
25,500	1,105	1,145
26,000	1,130	1,170
26,500	1,155	1,195
27,000	1,180	1,220
27,500	1,205	1,245
28,000	1,230	1,270
28,500	1,255	1,295
29,000	1,280	1,320
29,500	1,305	1,345
30,000	1,330	1,370
30,500	1,355	1,395
31,000	1,380	1,420
31,500	1,405	1,445
32,000	1,430	1,470
32,500	1,455	1,495
33,000	1,480	1,520
33,500	1,505	1,545
34,000	1,530	1,570
34,500	1,555	1,595
35,000	1,580	1,620

DETAILS OF COMPUTATION

Normal Tax.	Original Law.		New Law.	
	Married.	Single.	Married.	Single.
0	0	0	0	0
10	0	0	0	0
20	0	0	0	0
30	0	0	10	30
40	0	0	20	40
50	0	10	30	50
60	0	20	40	60
70	10	30	50	70
80	20	40	60	80
90	30	50	70	90
100	40	60	80	100
110	50	70	90	110
120	60	80	100	120
130	70	90	110	130
140	80	100	120	140
150	90	110	130	150
160	100	120	140	160
170	110	130	150	170
180	120	140	160	180
190	130	150	170	190
200	140	160	180	200
210	150	170	190	210
220	160	180	200	220
230	170	190	210	230
240	180	200	220	240
250	190	210	230	250
260	200	220	240	260
270	210	230	250	270
280	220	240	260	280
290	230	250	270	290
300	240	260	280	300
310	250	270	290	310
320	260	280	300	320
330	270	290	310	330
340	280	300	320	340
350	290	310	330	350
360	300	320	340	360
370	310	330	350	370
380	320	340	360	380
390	330	350	370	390
400	340	360	380	400
410	350	370	390	410
420	360	380	400	420
430	370	390	410	430
440	380	400	420	440
450	390	410	430	450
460	400	420	440	460
470	410	430	450	470
480	420	440	460	480
490	430	450	470	490
500	440	460	480	500
510	450	470	490	510
520	460	480	500	520
530	470	490	510	530
540	480	500	520	540
550	490	510	530	550
560	500	520	540	560
570	510	530	550	570
580	520	540	560	580
590	530	550	570	590
600	540	560	580	600
610	550	570	590	610
620	560	580	600	620
630	570	590	610	630
640	580	600	620	640
650	590	610	630	650
660	600	620	640	660
670	610	630	650	670
680	620	640	660	680
690	630	650	670	690
700	640	660	680	700
710	650	670	690	710
720	660	680	700	720
730	670	690	710	730
740	680	700	720	740
750	690	710	730	750
760	700	720	740	760
770	710	730	750	770
780	720	740	760	780
790	730	750	770	790
800	740	760	780	800
810	750	770	790	810
820	760	780	800	820
830	770	790	810	830
840	780	800	820	840
850	790	810	830	850
860	800	820	840	860
870	810	830	850	870
880	820	840	860	880
890	830	850	870	890
900	840	860	880	900
910	850	870	890	910
920	860	880	900	920
930	870	890	910	930
940	880	900	920	940
950	890	910	930	950
960	900	920	940	960
970	910	930	950	970
980	920	940	960	980
990	930	950	970	990
1,000	940	960	980	1,000
1,010	950	970	990	1,010
1,020	960	980	1,000	1,020
1,030	970	990	1,010	1,030
1,040	980	1,000	1,020	1,040
1,050	990	1,010	1,030	1,050
1,060	1,000	1,020	1,040	1,060
1,070	1,010	1,030	1,050	1,070
1,080	1,020	1,040	1,060	1,080
1,090	1,030	1,050	1,070	1,090
1,100	1,040	1,060	1,080	1,100
1,110	1,050	1,070	1,090	1,110
1,120	1,060	1,080	1,100	1,120
1,130	1,070	1,090	1,110	1,130
1,140	1,080	1,100	1,120	1,140
1,150	1,090	1,110	1,130	1,150
1,160	1,100	1,120	1,140	1,160
1,170	1,110	1,130	1,150	1,170
1,180	1,120	1,140	1,160	1,180
1,190	1,130	1,150	1,170	1,190
1,200	1,140	1,160	1,180	1,200
1,210	1,150	1,170	1,190	1,210
1,220	1,160	1,180	1,200	1,220
1,230	1,170	1,190	1,210	1,230
1,240	1,180	1,200	1,220	1,240
1,250	1,190	1,210	1,230	1,250
1,260	1,200	1,220	1,240	1,260
1,270	1,210	1,230	1,250	1,270
1,280	1,220	1,240	1,260	1,280
1,290	1,230	1,250	1,270	1,290
1,300	1,240	1,260	1,280	1,300
1,310	1,250	1,270	1,290	1,310
1,320	1,260	1,280	1,300	1,320
1,330	1,270	1,290	1,310	1,330
1,340	1,280	1,300	1,320	1,340
1,350	1,290	1,310	1,330	1,350
1,360	1,300	1,320	1,340	1,360
1,370	1,310	1,330	1,350	1,370
1,380	1,320	1,340	1,360	1,380
1,390	1,330	1,350	1,370	1,390
1,400	1,340	1,360	1,380	1,400
1,410	1,350	1,370	1,390	1,410
1,420	1,360	1,380	1,400	1,420
1,430	1,370	1,390	1,410	1,430
1,440	1,380	1,400	1,420	1,440
1,450	1,390	1,410	1,430	1,450
1,460	1,400	1,420	1,440	1,460
1,470	1,410	1,430	1,450	1,470
1,480	1,420	1,440	1,460	1,480
1,490	1,430	1,450	1,470	1,490
1,500	1,440	1,460	1,480	1,500
1,510	1,450	1,470	1,490	1,510
1,520	1,460	1,480	1,500	1,520
1,530	1,470	1,490	1,510	1,530
1,540	1,480	1,500	1,520	1,540
1,550	1,490	1,510	1,530	1,550
1,560	1,500	1,520	1,540	1,560
1,570	1,510	1,530	1,550	1,570
1,580	1,520	1,540	1,560	1,580
1,590	1,530	1,550	1,570	1,590
1,600	1,540	1,560	1,580	1,600
1,610	1,550	1,570	1,590	1,610
1,620	1,560	1,580	1,600	1,620
1,630	1,570	1,590	1,610	1,630
1,640	1,580	1,600	1,620	1,640
1,650	1,590	1,610	1,630	1,650
1,660	1,600	1,620	1,640	1,660
1,670	1,610	1,630	1,650	1,670
1,680	1,620	1,640	1,660	1,680
1,690	1,630	1,650	1,670	1,690
1,700	1,640	1,660	1,680	1,700
1,710	1,650	1,670	1,690	1,710
1,720	1,660	1,680	1,700	1,720
1,730	1,670	1,690	1,710	1,730
1,740	1,680	1,700	1,720	1,740
1,750	1,690	1,710	1,730	1,750
1,760	1,700	1,720	1,740	1,760
1,770	1,710	1,730	1,750	1,770
1,780	1,720	1,740	1,760	1,780
1,790	1,730	1,750	1,770	1,790
1,800	1,740	1,760	1,780	1,800
1,810	1,750	1,770	1,790	1,810
1,820	1,760	1,780	1,800	1,820
1,830	1,770	1,790	1,810	1,830
1,840	1,780	1,800	1,820	1,840
1,850	1,790	1,810	1,830	1,850
1,860	1,800	1,820	1,840	1,860
1,870	1,810	1,830	1,850	1,870
1,880	1,820	1,840	1,860	1,880
1,890	1,830	1,850	1,870	1,890
1,900	1,840	1,860	1,880	1,900
1,910	1,850	1,870	1,890	1,910
1,920	1,860	1,880	1,900	1,920
1,930	1,870	1,890	1,910	1,930
1,940	1,880	1,900	1,920	1,940
1,950	1,890	1,910	1,930	1,950
1,960	1,900	1,920	1,940	1,960
1,970	1,910	1,930	1,950	1,970
1,980	1,920	1,940	1,960	1,980
1,990	1,930	1,950	1,970	1,990
2,000	1,940	1,960	1,980	2,000
2,010	1,950	1,970	1,990	2,010
2,020	1,960	1,980	2,000	2,020
2,030	1,970	1,990	2,010	2,030
2,040	1,980	2,000	2,020	2,040
2,050	1,990	2,010	2,030	2,050
2,060	2,000	2,020	2,040	2,060
2,070	2,010	2,030	2,050	2,070
2,080	2,020	2,040	2,060	2,080
2,090	2,030	2,050	2,070	2,090
2,100	2,040	2,060	2,080	2,100
2,110	2,050	2,070	2,090	2,110
2,120	2,060	2,080	2,100	2,120
2,130	2,070	2,090	2,110	2,130
2,140	2,080	2,100	2,120	2,140
2,150	2,090	2,110	2,130	2,150
2,160	2,100	2,120	2,140	2,160
2,170	2,110	2,130	2,150	2,170
2,180	2,120	2,140	2,160	2,180
2,190	2,130	2,150	2,170	2,190
2,200	2,140	2,160	2,180	2,200
2,210	2,150	2,170	2,190	2,210
2,220	2,160	2,180	2,200	2,220
2,230	2,170	2,190	2,210	2,230
2,240	2,180	2,200	2,220	2,240
2,250	2,190	2,210	2,230	2,250
2,260	2,200	2,220	2,240	2,260
2,270	2,210	2,230	2,250	2,270
2,280	2,220	2,240	2,260	2,280
2,290	2,230	2,250	2,270	2,290
2,300	2,240	2,260	2,280	2,300
2,310	2,250	2,270	2,290	2,310
2,320	2,260	2,280	2,300	2,320
2,330	2,270	2,290	2,310	2,330
2,340	2,280	2,300	2,320	2,340
2,350	2,290	2,310	2,330	2,350
2,360	2,300	2,320	2,340	2,360
2,370	2,310	2,330	2,350	2,370
2,380	2,320	2,340	2,360	2,380
2,390	2,330	2,350	2,370	2,390
2,400	2,340	2,360	2,380	2,400
2,410	2,350	2,370	2,390	2,410
2,420	2,360	2,380	2,400	2,420
2,430	2,370	2,390	2,410	2,430
2,440	2,380	2,400	2,420	2,440
2,450	2,390	2,410	2,430	2,450
2,460	2,400	2,420	2,440	2,460
2,470	2,410	2,430	2,450	2,470
2,480	2,420	2,440		

SPECIAL TAXES CHART.

STAMP TAXES (Effective Dec. 1, 1917)

Subject of Tax	Payable By	Amount of Tax	Page
Bonds, debentures or certificates of indebtedness.	Person or corporation issuing same	\$.05 per \$100 face value	43
Bonds, indemnity and surety (except "court" bonds)	" " "	\$.50 each or 1% of premium if charged	43
Capital stock of corporations and associations (original issue)	" " "	\$.05 per \$100 face value or \$.05 per share if no face value	44
Capital stock of corporations and associations, sales, agreements to sell and transfers of	Person or corporation transferring or selling same	\$.02 per \$100 face value or \$.02 per share if no face value	44
Custom house entry: For consumption or warehousing	Person making entry	\$.25 up to \$100 value \$.50 up to \$500 value \$1.00 over \$500 value	45
For withdrawal from bonded warehouse	" " "	\$.50	
Deeds and conveyances: Consideration or net value \$100 to \$500	Grantor	\$.50	45
Each additional \$500 or fraction	"	\$.50	
Drafts or checks not payable at sight or on demand: (Does not cover checks on bank deposits)	Maker	\$.02 per \$100 or fraction	45
Parcel post packages: If postage amounts to 25c. or more	Consignor	\$.01 for each 25c postage or fractional part	46
Passage tickets, to a place not in United States, Canada or Mexico: Costing over \$10 to \$30	Passenger	\$1.00	46
Costing over \$30 to \$60	"	\$3.00	
Costing more than \$60	"	\$5.00	
Playing Cards: not over 54 cards and effective October 4, 1917	Manufacturer or dealer	\$.05	46
Powers of attorney (except in bankruptcy, etc.)	Principal	\$.25	45
Promissory notes	Maker	\$.02 per \$100 or fraction	45
Proxies for corporate meetings	Stockholder giving proxy	\$.10	44
Sales for future delivery of products or merchandise at exchanges or boards of trade: Cash sales for immediate delivery	Seller	\$.02 per \$100 or fraction Exempt	45 46

WAR EXCISE TAXES: (Effective October 4, 1917)

Automobiles and motorcycles	Manufacturer, producer or importer	3% of selling price	49
Cameras	" " "	3% of selling price	51
Chewing gum or substitute	" " "	2% of selling price	50
Jewelry	" " "	3% of selling price	50
Medicinal preparations	" " "	2% of selling price	50

Subject of Tax	Payable By	Amount of Tax	Page
Moving picture films: Unexposed	Manufacturer or importer	¾c per linear foot	49
Positive ready for projection (sold or leased)	Manufacturer, producer, importer or lessor	¾c per linear foot	50
Piano players, phonographs, records, etc.	Manufacturer, producer or importer	3% of selling price	49
Tennis rackets, golf clubs, baseball bats, lacrosse sticks, fishing rods and reels, billiard and pool tables, games, etc., except playing cards and children's games and toys	" " "	3% of selling price	50
Toilet preparations		2% of selling price	50
Merchandise on hand (confined to above articles but excepting all moving picture films) held by wholesalers or jobbers on October 3, 1917	Wholesaler or jobber	½ of tax specified above for respective articles	51
Yachts and power, pleasure and sailing boats, over 5 net tons, and motor boats with fixed engines: Length of 50 feet or less Length of between 50 and 100 feet Length of over 100 feet Motor boats, 5 net tons or less	User " " "	\$.50 per foot \$1.00 per foot \$2.00 per foot \$.50 each	51

ADMISSION AND DUES TAX: (Effective November 1, 1917)

Theaters, cabarets, moving pictures—Admissions and dues including admission by season ticket or subscription; free admissions (except for employees) taxed on same basis as similar admission charged for	Person admitted	\$.01 for each 10c or fraction thereof of amount paid or charged for admission	52
Theatre or opera boxes or seats (covers only permanent use or lease for season)	Person admitted	10% of amount for which similar box or seat is sold for same performances	53
Club dues (does not apply to fraternal organizations providing for benefits)	Member	10% of dues or fees over \$12 per annum	53

OCCUPATIONAL TAXES: (Imposed by Act of September 8, 1916, and still in effect)

Billiard rooms	Proprietor	\$5. per table	55
Bowling alleys, proprietors of	"	\$5. per alley	55
Brokers (including stock, bond, exchange, bullion, coin, money, bank note and promissory note brokers)	Broker	\$30.	54
Brokers, Custom House	"	\$10.	54
Brokers, Pawn	"	\$50.	54
Brokers, Ship	"	\$20.	54
Circuses, proprietors of	Proprietor	\$100.	55
Exhibitions or shows for money (public), proprietors of all other	"	\$10.	55
Theatres, museums and concert halls, proprietors of	"		54
Seating capacity 250 or less	"	\$25.	
Seating capacity 250 to 500	"	\$50.	
Seating capacity 500 to 800	"	\$75.	
Seating capacity 800 or over	"	\$100.	

(In places 5,000 inhabitants or less tax is half above rates)

Subject of Tax	Payable By	Amount of Tax	Page
Tobacco manufacturers: According to amount of annual sales.	Manufacturer	(see text)	55
TOBACCO PRODUCTS TAXES (Effective November 2, 1917, and in addition to existing tax)			
Cigarettes: Not more than 3 pounds per 1,000 More than 3 pounds per 1,000	Manufacturer or importer	\$.80 per 1,000 \$ 1.20 per 1,000	56
Cigarette paper: Package containing 25 to 50 papers Package containing 50 to 100 papers Package of more than 100 papers Tubes	" " "	\$.005 \$.01 \$.01 for each 100 papers or fraction thereof \$.02 for each 100 tubes or fraction thereof	57
Cigars: Not more than 3 pounds per 1,000 More than 3 pounds per 1,000 to be retailed at 4c to 7c each Over 7c to 15c each Over 15c to 20c Over 20c each	" " "	\$.25 per 1,000 \$ 1. " " 3. " " \$ 5. " " \$ 7. " "	56
Tobacco and snuff: Tobacco, etc., on hand on October 4, 1917, and also removals before Nov. 2, 1917	Manufacturer, importer or dealer	\$.05 per pound One-half the tax imposed on such articles as stated above	56

PUBLIC FACILITIES TAXES
(Effective November 1, 1917)

Express charges (between points in U. S.)	Consignor	\$.01 for each \$.20 of charge	47
Freight charges (between points in U. S.)	"	3% of charge	47
Parlor car seats, berths and state-rooms (rail or water)	Passenger	10% of amount paid	47
Passenger fares (between points in U. S. and to Canada or Mexico) (Does not include commutation or season tickets for trips less than 30 miles or fares of 35 cents or less.	"	8% of fare	47
Telegraph and telephone messages	Sender	\$.05 per message costing \$.15 or more	48
Transportation of oil by pipe lines	Consignor	5% of amount paid	48

INSURANCE POLICIES
(Effective November 1, 1917)

Casualty insurance (including all insurance except: life, marine, fire and inland)	Insurer	\$.01 on each \$1. or fractional part thereof of premium	48
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Subject of Tax	Payable By	Amount of Tax	Page
Life insurance	Insurer	\$.08 per \$100 or fractional part thereof of amount of insurance	48
Life insurance on industrial or weekly payment plan not in excess of \$500	"	40% of first weekly premium	48
Marine, inland and fire insurance (Reinsurance of any kind and policies issued by person or concern exempt from income tax not taxable hereunder)	"	\$.01 on each \$1. or fractional part of premium	48

BEVERAGES, PERFUMES, ETC.
(Effective October 4, 1917, and in addition to present taxes)

Carbonic acid gas, etc.	Purchaser	\$.05 per pound	58
Distilled spirits, liquors, beer, wines, liqueurs, cordials, etc.	"	Various additional taxes. See statute	59
Natural mineral or table waters sold by producer, bottler or importer at over 10 cents per gallon.	Producer, bottler or importer	\$.01 per gallon	58
Unfermented grape juice, soft drinks or artificial mineral waters, etc.	Manufacturer, producer or importer	\$.01 per gallon	58
Perfumes containing distilled spirits (imported after October 3, 1917)	Importer	\$ 1.10 per wine gallon	57
Syrups or extracts for use in soft drinks sold by manufacturer, producer or importer at: \$1.30 per gallon or less \$1.30 per gallon to \$2 \$2.00 per gallon to \$3 \$3.00 per gallon to \$4 Over \$4.00 per gallon	Manufacturer, producer or importer	\$.05 per gallon \$.08 " " \$.10 " " \$.15 " " \$.20 " "	58
Distilled spirits, etc., on hand	Person holding same	(see text)	59

MUNITION MANUFACTURERS

Net profits for 1917 from munitions	Manufacturer	10% of net profits to January 1, 1918	59
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POSTAL RATES
(Effective November 2, 1917)

First class mail matter (except postal cards)	Person paying postage	\$.01 additional for each ounce or fraction	60
"Drop" letters of first class	" " "	\$.02 per ounce or fraction	60
Postal and private mailing or post cards	" " "	\$.01 additional to existing rate (see statute)	60
Others classes.			

INCOME TAX LAW

§§ 1-5 Act of Oct. 3, 1917.
§§ 1-14, 27-32 Act of Sept. 8, 1916, as amended.

Individuals.

Individuals are subject to from one to four income taxes depending upon the amount of his or her net income.

The original income tax law (1913-1916) remains in force, and a new income tax law (1917) has been added. The two laws impose the four following taxes:

Laws of 1913-1916 as amended.....	Normal tax 2%—exemption \$3,000 or \$4,000, plus exemption for children.
Laws of 1913-1916 as amended.....	Surtax— incomes over \$20,000—Rates 1% to 13%—no personal exemption.
Law 1917	Normal tax 2%—exemption \$1,000 or \$2,000, plus exemption for children.
Law 1917	Surtax— incomes over \$5,000—Rates 1% to 50%—no personal exemption.

The 1917 law as finally passed is not limited to the period of the war and will stand until repealed or amended. Hence it cannot be characterized as a War Income Tax.

These two income tax laws are referred to hereafter in this pamphlet as "Original Income Tax Act" and "1917 Income Tax Act".

Excess Profits Tax—Individuals engaged in business or "occupations" are also subject to this tax (see page 25). The amount is a flat 8% tax on net income derived from the business or occupation over an exemption of \$6,000. This covers professional men, salaried men, etc. Individuals in business employing capital are taxed on the basis of both capital and income.

Q. When must I file a return?

A. Any time after January 1st but not later than March 1st.

Q. Where must I file a return?

A. With the Collector of Internal Revenue for the district in which you reside or where you have your principal place of business.

Q. What period must my return cover?

A. The preceding calendar year, i. e., from January 1 to December 31. For example, during January or February, 1918, you will file a Return of your income for the period January 1, 1917, to December 31, 1917, both dates inclusive.

Q. Where can I get forms of return?

A. At the office of the Collector of Internal Revenue for your District.

Q. Who must file a return?

A. Every unmarried person of lawful age having a net income of \$1,000 or over for the calendar year and in the case of a married person \$2,000 or over.

The statute affects citizens whether residing at home or abroad, resident aliens and also non-resident aliens who carry on business or own property in the United States.

Q. What is meant by net income?

A. For the purpose of determining whether or not a Return should be filed, net income means gross income (not including exempt items e. g. interest on government bonds) less certain of the deductions mentioned on page 14 and briefly shown in the following example:

Gross Income		Deductions	
\$6,000		1. Business expenses..	\$4,200
		2. Interest paid	150
		3. Taxes paid	50
		4. Losses	300
		5. Bad debts	100
		6. Depreciation	200
Deductions	5,000		
Net income	\$1,000		\$5,000

If unmarried you would have to file a return in this case because your net income is \$1,000 or over but if you are married you would not have to file a return because the net income does not amount to \$2,000 or over.

Q. I have figured my net income as indicated in the preceding answer and find that I am liable to file a return. My personal exemptions (see next heading) however show I will have no tax to pay. Must I nevertheless file a return?

A. Yes.

PERSONAL EXEMPTIONS.

Q. Upon how much of my income am I allowed a personal exemption?

A. Under the 1917 Income Tax Act, in figuring the 2% normal tax a personal exemption of \$1,000 is allowed single persons and \$2,000 if the person be married or a head of a family plus \$200 for each dependent child if under 18 years or if incapable of self-support because defective.

Under the Original Income Tax Act, in figuring the 2% normal tax which also must be paid, the exemption is \$3,000 for a single person and \$4,000 for a married person or the head of a family, plus \$200 for each child as above stated.

The additional exemption of \$1,000 allowed to married persons or heads of families, and the exemptions for children, are allowed only to one person in the same family.

No personal exemptions are allowed in computing the surtax which applies to the total net income (including divi-

dends) above \$20,000, under the Original Act and above \$5,000 under the 1917 Act.

RATES OF TAX.

Q. What are the rates of Income Tax I will have to pay?

The rates of normal tax and surtax under both Acts are given in the following tables:

RATE TABLE—ORIGINAL ACT.

Normal tax 2%..... Exemption \$3,000 or \$4,000,
plus exemption for children.

Surtax

\$	1 to \$	20,000—no surtax	
	20,000 to	40,000 i.e. \$20,000.....	1% — \$ 200
	40,000 to	60,000 i.e. 20,000.....	2% — 400
	60,000 to	80,000 i.e. 20,000.....	3% — 600
	80,000 to	100,000 i.e. 20,000.....	4% — 800
	100,000 to	150,000 i.e. 50,000.....	5% — 2,500
	150,000 to	200,000 i.e. 50,000.....	6% — 3,000
	200,000 to	250,000 i.e. 50,000.....	7% — 3,500
	250,000 to	300,000 i.e. 50,000.....	8% — 4,000
	300,000 to	500,000 i.e. 200,000.....	9% — 18,000
	500,000 to	1,000,000 i.e. 500,000.....	10% — 50,000
	1,000,000 to	1,500,000 i.e. 500,000.....	11% — 55,000
	1,500,000 to	2,000,000 i.e. 500,000.....	12% — 60,000
	Above \$2,000,000		13% —

RATE TABLE—1917 ACT.

Normal tax 2%..... Exemption \$1,000 or \$2,000,
plus exemption for children.

Surtax

\$	1 to \$	5,000—no surtax	
	5,000 to	7,500 i.e. 2,500.....	1% — \$ 25
	7,500 to	10,000 i.e. 2,500.....	2% — 50
	10,000 to	12,500 i.e. 2,500.....	3% — 75
	12,500 to	15,000 i.e. 2,500.....	4% — 100
	15,000 to	20,000 i.e. 5,000.....	5% — 250
	20,000 to	40,000 i.e. 20,000.....	7% — 1,400
	40,000 to	60,000 i.e. 20,000.....	10% — 2,000
	60,000 to	80,000 i.e. 20,000.....	14% — 2,800
	80,000 to	100,000 i.e. 20,000.....	18% — 3,600
	100,000 to	150,000 i.e. 50,000.....	22% — 11,000
	150,000 to	200,000 i.e. 50,000.....	25% — 12,500
	200,000 to	250,000 i.e. 50,000.....	30% — 15,000
	250,000 to	300,000 i.e. 50,000.....	34% — 17,000
	300,000 to	500,000 i.e. 200,000.....	37% — 74,000
	500,000 to	750,000 i.e. 250,000.....	40% — 100,000
	750,000 to	1,000,000 i.e. 250,000.....	45% — 112,500
	Above \$1,000,000		50% —

EXAMPLE: Showing how to arrive at taxable income and to compute income tax covering all four taxes.

Assume individual—married—four children—income \$45,000, of which \$2,000 is dividends and \$800 is interest on 2nd Liberty Loan Bonds:

(1) Normal Tax—Original Act.

Income	\$45,000
Less dividends	\$2,000
Interest on \$20,000 2nd Liberty Bonds	800
Statutory exemption	3,000
Additional exemption (party married or head of family) ..	1,000
Additional exemption (\$200 for each child under 18 years or defective).....	800
	<u>7,600</u>
	\$37,400
	2%
	<u>\$748</u>
	<u>\$748</u>

(2) Surtax—Original Act.

Income	\$45,000
Less interest on \$20,000 2nd Liberty Bonds—\$800, but interest on principal up to \$5,000 only is deductible for this surtax	200
Dividends (not deductible)...	...
Personal exemptions (not allowed)
	<u>200</u>
	\$44,800

(See above Rate Table)

\$	1 to \$	20,000—no surtax	
\$20,000 to	40,000 i.e. \$20,000 at 1%—	\$200	
40,000 to	44,800 i.e. 4,800 at 2%—	96	
		<u>\$296</u>	
		<u>\$296</u>	
			\$296
			Carried fwd..... \$1,044

(3) Normal Tax—1917 Act. Brought Fw'd..... \$1,044

Income	\$45,000	
Less dividends	\$2,000	
Interest on \$20,000 2nd Liberty Bonds	800	
Statutory exemption	1,000	
Additional exemption (party married or head of family)	1,000	
Additional exemption (\$200 for each child under 18 years or defective)	800	
	5,600	
	\$39,400	
	2%	
	\$788	
	\$788	

(4) Surtax—1917 Act.

Income	\$45,000	
Less interest on \$20,000 2nd Liberty Bonds—\$800, but interest on principal up to \$5,000 only is deductible for this tax	200	
Dividends (not deductible)	
Personal exemptions (not allowed)	
	200	
	\$44,800	

(See above Rate Table)

\$ 1 to \$ 5,000—no surtax	
5,000 to 7,500 i.e. 2,500 at 1%—	25
7,500 to 10,000 i.e. 2,500 at 2%—	50
10,000 to 12,500 i.e. 2,500 at 3%—	75
12,500 to 15,000 i.e. 2,500 at 4%—	100
15,000 to 20,000 i.e. 5,000 at 5%—	250
20,000 to 40,000 i.e. 20,000 at 7%—	1,400
40,000 to 44,800 i.e. 4,800 at 10%—	480
	\$2,380
	\$2,380

Total tax..... \$4,212

On page 2 will be found a CHART in which the total income tax on stated incomes from \$1,000 to \$5,000,000, including the normal and surtaxes under both Acts has been figured. This chart can be used in quickly estimating the amount of any individual income tax.

PREPARATION OF INDIVIDUAL RETURNS.

GROSS INCOME.

Q. What income must I report in my return?

A. The following must be reported:

1. Salaries, wages, commissions and other compensation.

2. Interest received on notes, bonds, deposits in banks (including savings banks) and other interest. When bonds at say 100 "and interest" are purchased, report only interest received less that paid out.

3. Dividends on stock whether received as cash or stock. Only dividends paid out of earnings or profits accrued since March 1, 1913 are taxable. However, dividends declared and paid in 1917 or later years are deemed to have been paid from the most recently accumulated undivided profits or surplus and shall be taxed at the rates prescribed by law for the years in which such profits or surplus were accumulated by the corporation. This provision does not apply to any distribution made prior to August 6, 1917, out of earnings or profits accrued prior to March 1, 1913.

4. Partnership profits—Your share in partnership profits whether divided and distributed or not (net profits, not gross).

5. Profit resulting from purchases and sales of property including stock market transactions.

If purchased prior to March 1, 1913, the profit is based on difference between selling price and the fair market price or value as of March 1, 1913.

6. Any other gains or profit and income from any source whatever except non-taxable income noted in the next question and answer.

Q. What income can I omit from my return?

A. The following items, among others, are not taxable and need not be reported in your Return:

1. Christmas presents and other gifts.

2. Value of property acquired through will or by inheritance.

3. Proceeds of life insurance policies.

4. Returns of premiums on life, endowment and annuity policies.

5. Interest on bonds and other obligations of the United States Government or its possessions and of any state, county, city, town, village or other political subdivision of a state. Interest on United States bonds issued after September 1, 1917 is exempt only if so provided in the statute.

As to the 2nd Liberty Bond issue of September 24, 1917,

interest on an amount, not exceeding, \$5,000 of such bonds or certificates is exempt from both normal tax and surtax (Liberty Bond Act). If you own more than that amount, the interest on the additional bonds or certificates is exempt for the normal tax only and must be reported for the surtax.

6. Interest on securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916.

7. Salaries of officers and employees of a state, county, city, town, village or other political subdivision thereof, including public school teachers and also a few specified officials of the United States Government.

8. Income received from trustees or other fiduciaries if it represents income exempt from tax; or if not, but the tax has been paid by the trustee, or otherwise, due credit should be claimed in the Return.

Q. Should a married man include his wife's income in his return?

A. This is optional. A joint return may be filed or each may file a separate return if desired. If a joint return be filed the *surtax* should be figured *separately*.

However, where the joint net income is over \$5,000 and a surtax begins to apply, it is advisable to file *separate* returns in order to avoid the possibility, through mistake, of increasing the amount upon which the surtax is figured.

NET INCOME.

Q. What can I deduct from the gross income in my return?

A. The following can be deducted:

1. **Expenses**—necessary expenses actually paid in carrying on any business. You cannot deduct any personal, living or family expenses.

Gifts to dependent relatives cannot be deducted nor any other gifts except the following:

Gifts to corporations or associations operated exclusively for religious, charitable, scientific or educational purposes no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of 15% of the taxpayer's taxable net income as computed before deducting such gifts. This would include Red Cross dividends received from corporations and paid to the Red Cross.

Expenses of a landlord in maintaining the property may be deducted.

2. **Interest on indebtedness** (except indebtedness incurred for the purchase of tax exempt securities).

The 2nd Liberty Bond issue of September 24, 1917, is not exempt from the surtax except as to interest on not more than \$5,000 of such bonds as above stated. Therefore in computing the surtax it seems you have a right to deduct in-

terest on loans obtained to buy such bonds or certificates in excess of \$5,000.

3. **Taxes paid** except income, excess profits taxes and assessments for local benefits.

However, your net income will be credited with the amount of excess profits tax, if any, *assessed* against you for the *same* calendar or fiscal year, or your proportionate share of the excess profits tax of any partnership of which you are a member.

4. **Losses actually sustained**, incurred in your business or trade or arising from fires, storms, shipwreck or other casualty and from theft, if not compensated by insurance or otherwise.

If property was purchased prior to March 1, 1913 the fair market price or value on March 1, 1913 is the basis for figuring the loss.

5. **Losses** in transactions entered into for profit but not connected with your business or trade; but such losses can only be deducted to an amount not exceeding the profits arising from such transactions.

For example—If you purchased and sold stock (not being engaged in it as a business) and made \$100 in some transactions and actually lost \$100,000 in other stock transactions, this provision was probably intended to mean that you could deduct \$100 only as a loss.

6. **Debts** due you and actually ascertained to be worthless and charged off within the year.

7. **Depreciation**—reasonable allowance for depreciation on account of exhaustion, wear and tear of property arising out of its use or employment in the business.

Depreciation of your residence is not allowed, but if property is rented out to others depreciation can be deducted.

8. **Depreciation** for oil and gas wells, mines, etc.

9. **Dividends** received from any corporation or association that is taxable on its own net income. This credit is not allowed in figuring the surtax.

10. **Collection at source.** Amount of income, if any, upon which tax has been deducted at the source.

11. **Personal exemptions** above described. These exemptions are not allowed in figuring the surtax.

MISCELLANEOUS.

Q. If a corporation declares a dividend in 1917 from surplus accumulated during the past 4 or 5 years, am I taxable thereon as a stockholder at 1917 rates?

A. No, the individual rates prevailing during the various years in which the surplus was earned by the corporation would apply under the limitation mentioned on page 13.

Q. Must my broker file a return showing my profits and losses on stock transactions?

A. Every broker on any exchange or board of trade or similar institution whenever requested by the Commissioner of Internal Revenue must render a return showing names of customers and profits and losses, etc. Corporations also, when required, must file verified list of stockholders, their addresses, number of shares owned by each, and amounts of dividends paid to them in cash or its stock equivalent, and also the tax years (and the applicable amounts) in which such dividends were earned.

Q. I am a non-resident alien. Upon what basis am I taxed?

A. You are taxable upon your entire net income received from all sources within the United States including interest on bonds, notes, or other interest bearing obligations of residents, corporate or otherwise. Deductions allowed citizens and resident aliens may be claimed except that they are to correspond to the income arising in this country. Personal exemptions are allowed only in case you file a Return. The normal tax on non-resident aliens is only 2% and is subject to deduction at source for which a credit may be claimed in your Return.

Executors, Administrators, Trustees, and Guardians, etc.

§ 8 Act of Sept. 8, 1916, as amended by § 1204 Act of Oct. 3, 1917.

Q. Does an executor, trustee, guardian or other fiduciary have to file a return?

A. Guardians, trustees, executors, administrators, receivers, conservators and all persons, corporations, or associations, acting in any fiduciary capacity, must make a return of the income of the person, trust, or estate for which they act, and are subject to all the provisions which apply to individuals. A return made by one of two or more joint fiduciaries filed in the district where such fiduciary resides is sufficient.

Q. Are both the normal tax and surtax to be paid and to whom are they to be assessed?

A. Income received by estates of deceased persons during the period of administration or settlement of the estate, is subject to the normal tax and surtax and taxable to their estates, and also such income of estates or any kind of property held in trust, including such income accumulated in trust for the benefit of unborn or unascertained persons, or persons with contingent interests and income held for future distribution under the terms of the will or trust is likewise taxed, the tax in each

instance, *except when the income is returned for the purpose of the tax by the beneficiary*, is to be assessed to the executor, administrator, or trustee, as the case may be. Where the income is to be distributed annually or regularly between existing heirs or legatees, or beneficiaries, the rate of tax and method of computing the same is based in each case upon the amount of the individual share to be distributed.

Such fiduciaries are indemnified against the claims or demands of every beneficiary for all payments of taxes which they shall be required to make under the statute.

Q. Can trustees, etc., claim personal exemptions?

A. Guardians or trustees are allowed to make the personal exemptions as to income derived from the property of which the guardian or trustee has charge, in favor of each ward or *cestui que trust*.

There is also allowed an exemption (equivalent to the personal exemptions for unmarried people) from the amount of the net income of estates of deceased citizens or residents during the period of administration or settlement, and of trust or other estates of citizens or residents the income of which is not distributed annually or regularly.

Partnerships.

§ 8 Act of Sept. 8, 1916, as amended by § 1204 Act of Oct. 3, 1917.

Q. Are partnerships subject to the income tax and do they have to file returns?

A. Partnerships as such are not subject to the income tax and do not have to file an annual Return. The individual partners file individual Returns and are obliged to include therein all income paid to them from the partnership during the calendar year, plus any undivided profits of the partnership.

Partnerships, however, must furnish, whenever requested by the Commissioner of Internal Revenue, or any district collector, a correct statement of their profits except exempt income and the names of the individuals who would be entitled thereto, if distributed. Such return may be based either on the partnership fiscal year or the calendar year.

Partnerships are subject to the Excess Profits Tax (see page 25) and under that law must file a Return and pay a tax as a partnership.

Q. My partnership is subject to a Tax under the Excess Profits Tax Law. Can I deduct from my gross income my proportion of such Tax?

A. The statute provides that the Commissioner of Internal Revenue in assessing your Income Tax must credit your net income with your proportion of the amount of the excess profits tax assessed against your partnership for the same calendar or fiscal year.

Q. How should partnership profits be computed?

A. The profits of a partnership should be computed in the same manner as the profits of an individual.

Q. My partnership owns some government bonds and also stock of corporations. When preparing my individual return may I eliminate from my share of the partnership profits either or both of these items?

A. Interest on Government bonds is not taxable except in the case of certain bonds issued by the Federal Government after September 1, 1917 (see page 13). Dividends received on stock of taxable corporations are not subject to the normal tax. Therefore, when preparing your individual Return you should see that your share of the partnership profits does not include any interest on non-taxable bonds. As to dividends, however, you should separately state in your Return your share in such dividends and you will receive a credit therefor.

Q. In previous years I reported my share in the partnership income for the partnership fiscal year which ends in March. The balance of my partnership income for the remainder of the calendar year I always reported in the following year as permitted by regulations. The result is that for the calendar year 1917 I will report 12 months partnership income for fiscal year ending March 31, 1917 but 9 months of this is really 1916 income and should be taxed at the lower rates of 1916 and not at 1917 rates. The 1916 rate also was higher than the 1915 rate. What provision has been made to take care of this situation?

A. The statute provides that if a fiscal year ends during 1916 or a subsequent calendar year in which the tax rate has been increased, a partner's share of the profits for the partnership's fiscal year shall be taxed at the old and new rates in the proportion that the period of each calendar year bears to the full fiscal year.

Thus, if a partner, in reporting his income for 1916 included as his partnership profits, his share for the 12 months ending March 31, 1916, he is entitled to have $\frac{3}{4}$ of it taxed at 1% (the 1915 rate) and only $\frac{1}{4}$ of it at the new 1916 rate of 2%. In reporting in 1918 his partnership income for 1917, he would pay 2% (1916 rate) on $\frac{3}{4}$ and 4% (1917 rate) on $\frac{1}{4}$ of his partnership profits.

If a partner be subject to the surtax, the adjustment of the tax will depend upon the size of the income and the surtax rates applicable. It is difficult to say whether basing the return on the calendar year rather than the partnership's fiscal year is more advantageous to the taxpayer in the long run. It would depend largely on the circumstances of each case.

Corporations and Associations.

§ 10 Act of Sept. 8, 1916, as amended by § 1206 Act of Oct. 3, 1917.
§ 4 Act of Oct. 3, 1917.

Every corporation is subject to two income taxes as follows:

Act of 1913-1916—	Normal tax 2%
Act of 1917	—Normal tax 4%
Total.....	6%

This tax is computed on net income (see page 21).

Corporations are also subject to two other general taxes:

- (a) Capital stock tax based on the average value of the capital stock. (See page 38).
- (b) Excess Profits tax known as the War Excess Profits Tax, based on a percentage of the invested capital for the taxable year except in certain cases. (See page 25).

Q. When must the income tax return be filed? Can fiscal year be used?

A. Returns must be filed on or before **March 1st** in each year based on the preceding calendar year. However, if a corporation desires to base its return on its fiscal year rather than the calendar year, it may be authorized to do so by notifying the Collector of Internal Revenue for the district in which its principal office is located at any time not less than thirty days prior to the first day of March, of the year in which its return would be filed if made upon the basis of the calendar year. In such cases the return must be filed within 60 days after the close of the fiscal year.

Q. What corporations and associations are required to file a return?

A. Every corporation, joint stock company or association, and every insurance company organized in the United States, no matter how created or organized and no matter how small its net income may be, is required to file a return on or before **March 1st** in each year covering income for the preceding calendar year unless arrangement is made to file the Return based on its fiscal year as mentioned above. Foreign corporations also must file Returns of income received from all sources within the United States.

The following, however, are exempt under the statute and do not have to file any return, viz.: labor, agricultural or horticultural organizations; mutual savings banks not having a capital stock represented by shares; fraternal beneficiary societies, orders or associations operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, and other benefits to the members

of such societies, orders or associations or their dependents; domestic building and loan associations and co-operative banks without capital stock organized and operated for mutual purposes and without profit; cemetery companies owned and operated exclusively for the benefit of their members; any corporation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual; business leagues, chambers of commerce or boards of trade, not organized for profit and no part of the net income of which inures to the benefit of any private stockholder or individual; any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare; clubs organized and operated exclusively for pleasure, recreation and other non-profitable purposes no part of the net income of which inures to the benefit of any private stockholder or member. Other exemptions relate to certain local insurance, irrigation and telephone companies and to certain associations acting as sales agent of members, holding corporations for exempt organizations, certain federal banks and land banks.

Q. Must a corporation also pay a tax on undistributed surplus?

A. The statute provides that in addition to the 6% normal tax an extra tax of 10% is imposed upon the amount, remaining undistributed 6 months after the end of each calendar or fiscal year, of the total net income received during the year as shown by its income tax Return but not including the amount of any federal income taxes paid by it within the year.

This tax does not apply to such undistributed net income if actually invested and employed in the business, or is retained for employment in the reasonable requirements of the business, or is invested in obligations of the United States issued after September 1, 1917. If the Secretary of the Treasury finds that any portion of it is not so employed or required a tax of 15% is imposed thereon. This probably means the 10% tax above specified plus a 5% penalty.

Q. Must a corporation prepare its return upon the basis of actual receipts and disbursements?

A. If it keeps its accounts on a basis other than that of actual receipts and disbursements, its Return may be made on such other basis unless the Commissioner of Internal Revenue finds that such basis does not clearly reflect its income.

Q. Can a corporation deduct from gross income the excess profits tax?

A. Under the statute, in assessing Income Tax the Commissioner of Internal Revenue must credit against net income the amount of any excess profits tax assessed for the same calendar or fiscal year.

Q. Can a corporation deduct dividends received by it on stock in other corporations?

A. The income in a Return of a corporation will be credited with the amount received as dividends upon the stock of another taxable corporation, but only for the war normal tax of 4%. Such dividends cannot be deducted in computing the regular 2% normal tax.

Q. If dividends received on stock in other corporations are paid from 1915 earnings, will the tax rate be 1%?

A. See page 13.

Q. Can a corporation deduct interest on its indebtedness incurred for the purchase of tax exempt securities?

A. No.

Q. If a corporation bases its return on its fiscal year and not the calendar year, must it pay the 6% rate for 1916 income?

A. No. Only the proportion of the fiscal year's income representing 1917 income will be taxed at 6%, the balance at 2%.

Q. Do the same rules apply to foreign corporations?

A. The tax on foreign corporations is confined to income arising in the United States and special rules apply.

Q. Can a corporation deduct bonuses to its employees?

A. Not unless they are paid pursuant to a contractual obligation express or implied.

Q. Our corporation pays premiums on insurance on the lives of its officers. Are the premiums deductible as corporate expense?

A. No.

Q. What items can a corporation deduct from its gross income in computing the amount of its taxable net income?

A. 1. Ordinary and necessary expenses paid within the taxable year in the operation of its business and properties, including rentals or payments required to be made for the continued use or possession of the property to which the corporation has not taken title or in which it has no equity.

2. Losses actually sustained and charged off within the year not compensated for by insurance or otherwise, including reasonable allowance for exhaustion, wear and tear of property employed. Special rules apply to oil and gas wells, mines and insurance companies. Amounts paid for new buildings, permanent improvements or betterments made to increase the value of any property, and the expense of restoring property or making good the exhaustion thereof, and which has been deducted under heading No. 1 above cannot be deducted here.

3. Interest paid within the year on its indebtedness (except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation

as income) to an amount of such indebtedness not in excess of the sum of (a) the entire amount of the paid-up capital stock (or capital employed) outstanding at the close of the year, and (b) one-half of its interest-bearing indebtedness then outstanding (preferred stock not included). If shares of capital stock were issued without par or nominal value, the paid-up capital stock consists of the amount of cash, or its equivalent, paid or transferred to the corporation as a consideration for such shares. In the case of indebtedness wholly secured by property collateral, tangible or intangible, the subject of sale or hypothecation in the ordinary business of the corporation as a dealer only in the property constituting such collateral, or in loaning the funds thereby procured, the total interest paid by it within the year on any such indebtedness may be deducted as a part of its expenses of doing business, but interest on such indebtedness can only be deductible on an amount of such indebtedness not in excess of the actual value of such property collateral. In the case of bonds which have been issued with a guaranty that the interest payable thereon shall be free from taxation no deduction for the payment of the tax herein imposed, or any other tax paid pursuant to such guaranty, shall be allowed; and in the case of a bank, banking association, loan or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company may be deducted.

4. **Taxes paid** within the year imposed by the United States (except income and excess profits taxes), or its Territories, or possessions, or any foreign country, or by any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits. The excess profits tax assessed for same year, however, may be deducted from gross income (see page 20).

Note: Non-taxable income need not be reported, see page 13. Dividends received may be deducted for the 4% tax only.

Information at Source.

§ 8 Act of Sept. 8, 1916, as amended by § 1204 Act of Oct. 3, 1917.
§§ 27-29 Act of Sept. 8, 1916, added by § 1211 Act of Oct. 3, 1917.

Q. When must reports be filed?

A. On or before **March 1st** in each year, unless Commissioner of Internal Revenue provides otherwise.

Q. Who are required to file reports of income paid by them to others?

A. All individuals, trustees, guardians and other fiduciaries, partnerships and all corporations and associations must file with the Commissioner of Internal Revenue a true report of the amount of the income paid and the name and address of the recipient of such payment in all cases in which the statute requires such information to be given.

Q. In what cases does the statute require such information to be filed?

A. Summarizing the statute, such information must be filed in the following cases:

(a) On all payments to other persons, partnerships, corporations or associations of rent, interest, salaries, wages, or other **fixed or determinable gains, profits, and income of \$800 or more in any taxable year**. This does not apply to dividends on stock of corporations subject to the tax nor to payments by brokers of any exchange or board of trade to their customers as other provisions require reports of such payments only when called for by the Commissioner.

(b) Interest (regardless of amount) upon bonds and mortgages or deeds of trust or other similar obligations of corporations and associations.

(c) Collections of items (not payable in the United States) of interest upon foreign bonds and dividends on stock of foreign corporations regardless of amount. The report in these cases must be made by those undertaking as a matter of business the collection of such foreign payments and who must be licensed by the government.

Q. Does this provision apply to the year 1917?

A. Information at the source applies to the calendar year 1917 and each calendar year thereafter. It does not apply to the payment of interest on obligations of the United States.

Q. If name and address of recipient is unknown, can it be demanded?

A. The statute makes it the duty of the recipient to furnish his name and address upon demand of those paying the income.

Collection at the Source.

§ 9 Act of Sept. 8, 1916, as amended by § 1205 Act of Oct. 3, 1917.

Q. Must the tax be deducted from salaries, rent, interest, etc., as heretofore?

A. No, except as to payments to non-resident aliens and in the case of payments to citizens and residents of interest on so-called "tax free" bonds of corporations, unless the citizen or resident files with the withholding agent on or before February 1st a claim of personal exemption. This provision as to all others has been repealed and "information at source" substituted therefor as described under previous heading.

Q. Since January 1, 1917, I have been deducting taxes from salaries, etc. What shall I do with this money?

A. Pay it back to those from whose income it was deducted. The statute authorizes such release except as to non-resident

aliens, and payments of interest on so-called "tax free" bonds to citizens and residents.

Q. In the case of so-called "tax free bonds" what rate of tax applies?

A. 2% normal tax. The new 2% normal tax is not to be deducted until January 1, 1918, but after that date, in no case shall more than one normal tax of 2% be deducted.

Q. In what cases must the tax be deducted from income payments to non-resident alien individuals and foreign corporations?

A. All individuals, corporations, partnerships and associations, in whatever capacity acting, having the control, receipt, custody, disposal or payment of interest, rent, salaries, annuities or other fixed or determinable annual or periodical gains, profits and income of any non-resident alien individual (except dividends from taxable corporations or associations) are required to deduct normal tax of 2% from such payments and pay the same to the government.

These provisions apply also to incomes derived from interest on bonds or mortgages or deeds of trust or similar obligations of domestic or other resident corporations by non-resident alien firms, companies and corporations not engaged in business or trade within the United States and not having an office or place of business therein. This requirement also applies to dividends on stock of domestic corporations. The tax required to be deducted in the case of such foreign corporations is 6%.

Q. Am I personally liable if I fail to deduct? Am I indemnified?

A. The statute provides that the persons and concerns above stated are personally liable for such tax, and that they are indemnified against every person or concern or demand whatsoever for all deductions and payments to the government pursuant to and by virtue of the statute.

Q. When must a report of the tax deducted be made?

A. On or before **March 1st** and the tax deducted must be paid to the government at the time indicated below.

Regulations will probably be issued requiring monthly returns in the case of coupons.

Payment of Tax.

§ 9 Act of Sept. 8, 1916, as amended by § 1205 Act of Oct. 3, 1917.
§ 14 Act of Sept. 8, 1916.

Q. When is the tax due and payable?

This tax is payable on or before **June 15th** in each year. No penalty accrues until ten days after notice and demand by the Collector of Internal Revenue. If payment is not made within said ten days, a penalty of 5% will be added to the tax and 1% per month thereafter.

Corporations filing their returns based on their fiscal year are required to pay the tax within 105 days after the return is due.

EXCESS PROFITS TAX

APPLIES TO

Individuals, Partnerships and Corporations.

This tax is imposed by Act of Congress effective October 4, 1917. By the terms of this Act the Excess Profits Tax Law passed March 3, 1917 was specifically repealed and is no longer in force. Taxes paid under the old law during 1917 will be credited against the taxes payable under the new law.

§§ 200-214 Act of Oct. 3, 1917
§ 14 Act of Sept. 8, 1916.

Q. Who must file returns?

A. (1) Every domestic partnership having a net income of \$6,000 or more for the taxable year. No return is required if the net income is below that sum. Foreign partnerships must file a return when the net income is \$3,000 or more.

(2) Every corporation, unless exempt under the Income Tax Law, i. e. charitable corporations, etc. (see page 19).

(3) Every individual engaged in a business, trade, profession or "occupation" and who is required to file a Return under the Income Tax Law must file a Return.

The Commissioner of Internal Revenue has power and probably will make some rule providing that corporations and individuals need not file returns where their net income is less than the exempted amount, \$3,000 or \$6,000 respectively.

Q. When must return be filed?

A. On or before **March 1st** in each year. However, partnerships and corporations are permitted to file returns based upon their fiscal year upon application to the proper Collector of Internal Revenue, in which case the return must be filed within 60 days after the end of the fiscal year.

Q. To whom does this tax apply?

A. The tax applies "to all trades or businesses whether continuously carried on or not except"

"(a) In the case of officers and employees under the United States or any state, territory, or the District of Columbia, or any local subdivision thereof, the compensation or fees received by them as such officers or employees."

(b) Corporations and associations i. e. charitable institutions, colleges &c., exempt under the Income Tax Law (see p. 19) and all partnerships and individuals coming within the same description are exempt from this tax.

"(c) Incomes derived from the business of life, health

and accident insurance combined in one policy issued on the weekly-premium payment plan."

"The terms 'trade' and 'business' include professions and occupations."

Q. Are doctors, lawyers, brokers, commission merchants, farmers, and salaried individuals, subject to this tax?

A. Yes; professional men are specifically covered and others mentioned are covered under the head of "occupations".

Q. I am carrying on a business as an individual. Must I report my income from all sources or only from the business?

A. Income from the business *only*, for the purpose of this tax. No other income is subject to this tax.

Q. Are partnerships and corporations taxed on profits from all sources?

A. Every corporation or partnership not exempt under the law is deemed to be engaged in business, and all the trades and businesses in which it is engaged will be treated as a single trade or business, and all its income from whatever source derived will be deemed to be received from such trade or business.

Q. What are excess profits?

A. Excess profits are your profits for the current year less
(a) a certain per cent on your capital for the current year and
(b) a fixed exemption.

Q. How are excess profits determined?

A. Deduct (a) from the net income of the business for the taxable year a certain percentage (as defined below, but not less than 7% nor more than 9%) of the invested capital for the taxable year. (b) \$3,000 additional deduction is allowed in case of domestic corporations and \$6,000 in case of domestic partnerships and individuals.

Where nominal or no capital is employed a flat 8% tax on net income less exemption, applies (see page 29).

Q. How is the deduction percentage determined?

A. It is the same percentage as the average net income of the business during the pre-war period (1911-1912-1913) was of the invested capital for that period, but if the actual percentage is below 7% then take 7% and if above 9% then take 9%, if between these percentages take the actual percentage.

Q. How is net income determined?

A. *Corporation*—The income tax rules prevailing during the prewar period and the taxable year apply except that for the years 1911-12-13 income taxes paid by it within the year shall be included. Dividends on stock of taxable corporations received by it in each of the years covered may also be deducted. See Guide on page 32.

Partnership or individual—The rules of the income tax law as amended to date apply to the years 1911, 1912, 1913 and the taxable year and the amounts received as dividends on stock of taxable corporations in each of those years may be deducted.

2nd Liberty Bonds—Interest on *not exceeding* \$5,000 of the bonds or certificates issued under Act of Congress approved September 24, 1917 owned by any individual, partnership or corporation is exempt from the excess profits tax.

HOW IS INVESTED CAPITAL DETERMINED?

§ 207 Act of Oct. 3, 1917.

"Invested capital", as used in the statute in connection with ascertaining excess profits tax, is declared to mean the average invested capital for the year, averaged monthly.

It does *not* include:

- (1) Stocks, bonds (other than obligations of the United States) or other assets, the income from which is not subject to the excess profits tax.
- (2) Money or other property borrowed.

Subject to above limitations "invested capital" means:

As to corporations or partnerships.

- (1) Actual cash paid in,
- (2) The actual cash value of tangible property paid in other than cash, for stock or shares in such corporation or partnership, at the time of such payment (but in case such tangible property was paid in prior to January 1, 1914, the actual cash value of such property as of January 1, 1914, but in no case to exceed the par value of the original stock or shares specifically issued therefor),
- (3) Paid in or earned surplus and undivided profits used or employed in the business, exclusive of undivided profits earned during the taxable year;

Provided, That

(a) the actual cash value of patents and copyrights paid in for stock or shares in such corporation or partnership, at the time of such payment shall be included as invested capital, but not to exceed the par value of such stock or shares at the time of such payment, and

(b) the good will, trade-marks, trade brands, the franchise of a corporation or partnership, or other intangible property, shall be included as invested capital if the corporation or partnership made payment bona fide therefor specifically as such in cash or tangible property, the value of such good will, trade-mark, trade brand, franchise, or intangible property, not to exceed the actual cash or actual cash value of the tangible

property paid therefor at the time of such payment; but good will, trade-marks, trade brands, franchise of a corporation or partnership, or other intangible property, bona fide purchased, prior to March 3, 1917, for and with interests or shares in a partnership or for and with shares in the capital stock of a corporation (issued prior to March 3, 1917), in an amount not to exceed, on March 3, 1917, 20% of the total interests or shares in the partnership or of the total shares of the capital stock of the corporation, shall be included in invested capital at a value not to exceed the actual cash value at the time of such purchase, and in case of issue of stock therefor not to exceed the par value of such stock.

Special rules apply to foreign concerns.

As to individuals.

- (1) Actual cash paid into the trade or business,
- (2) The actual cash value of tangible property paid into the trade or business, other than cash, at the time of such payment (but in case such tangible property was paid in prior to January 1, 1914, the actual cash value of such property as of January 1, 1914),
- (3) The actual cash value of patents, copyrights, good will, trade-marks, trade brands, franchises, or other intangible property, paid into the trade or business, at the time of such payment, if payment was made therefor specifically as such in cash or tangible property, not to exceed the actual cash or actual cash value of the tangible property bona fide paid therefor at the time of such payment.

Q. What is the rate of the excess profits tax?

A. The statutory rates are as follows:

- 20% of the amount of the net income in excess of the deduction (7% to 9% plus \$3,000 or \$6,000) and not in excess of 15% of the invested capital for the taxable year;
- 25% of the amount of the net income in excess of 15% and not in excess of 20% of such capital;
- 35% of the amount of the net income in excess of 20% and not in excess of 25% of such capital;
- 45% of the amount of the net income in excess of 25% and not in excess of 33% of such capital; and
- 60% of the amount of the net income in excess of 33% of such capital.

The Excess Profits Tax Guide, page 32, explains the method of applying this rate of tax and gives an example of its application.

Q. We have already paid an excess profits tax under the law of March 3, 1917. Must we pay this new excess profits tax also?

A. You will receive a credit against the new tax and if

the amount you paid exceeds your tax under the new law, the excess will be refunded upon application. The Act of March 3, 1917 was repealed.

Q. My concern was not engaged in business before 1914. How are our excess profits figured for 1917?

A. If a corporation or partnership was not in existence, or an individual was not engaged in the trade or business, during the whole of any one calendar year during the pre-war period, excess profits consists of the net income for 1917 after deducting 8% of 1917 invested capital plus \$3,000 in case of a corporation or \$6,000 in the case of an individual or partnership.

Q. We have no invested capital, or at least not more than a nominal invested capital in our business. How are our excess profits figured for 1917?

A. Your concern will pay an excess profits tax of 8% of the 1917 net income after deducting \$3,000 or \$6,000 allowed.

Q. Suppose our profits for the prewar period were abnormally small, or that we had no net income from the business. Does the statute make allowance for that fact?

A. If the Secretary of the Treasury, upon complaint, finds either (a) that, during the prewar period the percentage, which your net income from the business bore to your invested capital, was low as compared with that of representative concerns engaged in a similar business, or (b) that, during the prewar period you had no net income from the business, then the percentage to be applied to your 1917 invested capital would be the same as the average percentage as determined by the Commissioner of Internal Revenue, of representative concerns engaged in a similar business.

However, your tax will be assessed in the regular way and at the time of filing your Return, you can also file a claim for abatement of the amount by which the tax as regularly assessed exceeds a tax computed upon the basis above pointed out. In such event, the part of the tax covered by the claim for abatement will not be collected until the claim is decided.

In the case of a corporation or partnership which has fixed its own fiscal year, the percentage determined for the calendar year ending during such fiscal year will be used.

Q. We are successors in a business we took over or reorganized in 1917. Will we be considered as having any income in the prewar period?

A. When a business carried on by a corporation, partnership or individual, although formally organized or reorganized on or after January 2, 1913 is substantially a continuation of a business carried on prior to that date, the net income and invested capital of its predecessor prior to that date is deemed to have been its net income and invested capital.

Q. If a reorganization, consolidation or change of ownership takes place in a business and an interest of 50% or

more remains in the control of the same persons or concerns what limitation, if any, is placed on the value of the assets transferred?

A. Where a reorganization, consolidation, or change of ownership of a trade or business is or has been effected after March 3, 1917, and an interest or control in such trade or business of 50% or more remains in control of the same persons or concerns, then in ascertaining the invested capital of the trade or business no asset transferred or received from the prior trade or business shall be allowed a greater value than would have been allowed in computing the invested capital of such prior trade or business if such asset had not been so transferred or received, *unless* such asset was paid for *specifically as such* in cash or *tangible* property, and then not to exceed the actual cash or actual cash value of the tangible property paid therefor at the time of such payment. (§ 208 Act of Oct. 3, 1917.)

Miscellaneous.

Q. Does this tax apply to foreign corporations and non-resident aliens doing business in the United States?

A. Yes, but in assessing the tax against them the relation of their income arising in the United States to their total income is to be taken into consideration and special rules apply. No exemption of \$3,000 or \$6,000 is allowed.

Q. What does "taxable year" mean?

A. The term "taxable year" means the 12 months ending December 31, excepting in the case of a corporation or partnership which has fixed its own fiscal year, in which case it means such fiscal year. The first taxable year is the year ending December 31, 1917 except that in the case of a corporation or partnership which has fixed its own fiscal year it is the fiscal year ending during the calendar year 1917.

Q. If our Return, based on our fiscal year includes some months of 1916, how will adjustment be made?

A. If a corporation or partnership, prior to March 1, 1918 makes a return covering its own fiscal year, and includes therein the income received during that part of the fiscal year falling within the calendar year 1916 the tax for such taxable year will be that proportion of the tax computed upon the net income during such full fiscal year which the time from January 1, 1917 to the end of such fiscal year bears to the full fiscal year.

Q. What does "prewar period" mean?

A. The term "prewar period" means the calendar years 1911, 1912 and 1913, or, if a corporation or partnership was not in existence or an individual was not engaged in a trade or business during the whole of such period, then as many of such years during the whole of which the corporation or partnership was in existence or the individual was engaged in the trade or business.

Q. If the government is unable to determine our prewar income how will our own "percentage" be determined?

A. If the Secretary of the Treasury is unable satisfactorily to determine the average amount of your annual net income during the prewar period the required percentage of your 1917 invested capital will be determined by the method pointed out above in the case of concerns having no prewar income or an abnormally small prewar income.

Q. If the government is unable to determine our invested capital how will our deduction from our total 1917 net income be determined?

A. If the Secretary of the Treasury is unable satisfactorily to determine the invested capital of your concern your deduction will be an amount which bears the same ratio to the 1917 net income of your trade or business as the average percentage of the invested capital for 1917 of representative concerns engaged in a similar business, bears to the total 1917 net income of the business received by such concerns. The exemption of \$3,000 or in the case of a partnership or individual \$6,000, is also allowed. The above proportion will be determined by the Commissioner of Internal Revenue. In the case of a corporation or partnership which has fixed its own fiscal year, the proportion determined for the calendar year ending during such fiscal year will be used.

Payment of Tax.

§ 14 Act of Sept. 8, 1916.
§ 212 Act of Oct. 3, 1917.

Q. When is the excess profits tax payable?

A. This tax is payable on or before **June 15th** in each year. No penalty accrues until ten days after notice and demand by the Collector of Internal Revenue. If payment is not made within said ten days, a penalty of 5% will be added to the tax and 1% per month thereafter.

Corporations and partnerships filing their returns based on their fiscal year are required to pay the tax within 105 days after the return is due.

Guide.

SHOWING HOW TO COMPUTE

"EXCESS PROFITS TAX"

For a Corporation.

First ascertain the following facts:

- I Average capital for 1917 (Taxable year)
- II Net Income for 1917 (Taxable year)
- III Average capital for 1911-12-13 (Prewar capital)
- IV Average annual net income for 1911-12-13 (Prewar Income)

And then:

- V Find what percentage the Prewar Income is of the Prewar Capital
- VI Multiply 1917 Capital by foregoing percentage (which must not be less than 7% nor more than 9%)
- VII Add to result obtained \$3,000.
- VIII Subtract from 1917 Income the result obtained in VII and the remainder will be the "excess profits" that are subject to tax.

Illustrative Financial Statement.

Dec. 31, 1917.

Assets		Liabilities	
Cash	\$120,000	Bonds	\$500,000
Bonds of State Govt.	10,000	Accts. & notes payable	40,000
Bonds of U. S. Govt. issued before Sept. 1, 1917	50,000	Reserves, Depreciation, Real Estate, etc.	100,000
Bonds of U. S. Govt. (2nd Liberty Loan)	30,000	Undivided Profits (\$20,000 1917)	50,000
Bonds of Domestic Corporations	40,000	Surplus	310,000
Bonds of Foreign Corporations	5,000	Capital Stock	1,000,000
Stock of Domestic Corporations	10,000		
Stock of Foreign Corporations (not doing business in U. S.) ..	10,000		
Accounts receivable	175,000		
Merchandise	700,000		
Real estate	350,000		
Patents and Copyrights	200,000		
Good will & Trademarks	300,000		
	<u>\$2,000,000</u>		<u>\$2,000,000</u>

Invested capital (see statutory definition page 27) is not the amount of capital stock issued, but is a statutory creation ascertainable only, (a) by an analysis of capital account so as to determine the cash, tangible or intangible property values representing the consideration for the issue of the stock of the corporation; and (b) by an analysis of the surplus and undivided profits (or profit and loss) account of the corporation so as to determine "paid in or earned surplus and undivided profits."

The two factors to which the complicated tax rate applies are (a) average invested capital, and (b) excess profits.

From the point of view of the taxpayer, therefore, care should be taken, (a) to see that full credit is obtained for all considerations for which capital stock was issued, so that the amount of the invested capital shall be as large as the statute permits; and (b) to see that all the deductions allowed by statute are made from net earnings, so that the excess profits shall be as low as possible.

FACT I. INVESTED CAPITAL 1917

§ 207.

I. Capital Stock (\$1,000,000)—How issued	Assumed Figures
1. Issued for cash (If stock sold for more than par, full amount received can be included here or under head of paid in surplus)	\$300,000
2. Issued for tangible property such as real estate, etc.	
(a) If purchased after	
Jan. 1, 1914—Take cash value at time of purchase	30,000
Present book value ..	55,000
Value time of purchase	30,000
Par value of stock issued therefor	15,000
(b) If purchased before	
Jan. 1, 1914—Take cash value as of Jan. 1, 1914, but if such value is more than par value of stock issued therefor, take par value	150,000
Present book value ..	295,000
Value January 1, 1914	260,000
Value at time of purchase	200,000
Par value of stock issued therefor	150,000
3. Issued for intangible property, such as patents, good will, stocks, bonds, etc.	
(a) Patents and copyrights—Take cash value at time of issuance but not more than par value of stock issued therefor	145,000
Par value of stock issued	160,000
Value at time of purchase	145,000

- (b) *Good will, trademarks, trade brands, franchise of corporation and other intangible property such as stocks, bonds, etc.*

If acquired prior to March 3, 1917, such items may be included in "invested capital" in an amount not to exceed on March 3, 1917, 20% of the total issued capital stock of the corporation, and at a value not to exceed the actual cash value at the time of purchase, and not to exceed the par value of such stock. The statute says nothing with respect to the situation if items were acquired after March 3, 1917, by the issuance of stock therefor (20% of capital stock).....

\$200,000

\$825,000

Present book value..... \$300,000
Value at time of purchase..... 375,000
Par value of stock issued therefor.. 375,000
(Consult resolution Board of Directors authorizing issue)
20% of total capital stock on March 3, 1917 (\$1,000,000)..... 200,000

II. Surplus and Undivided Profits.

Ascertain the amount of surplus and undivided profits paid in, or earned, from the date of incorporation to the first day of the taxable year (undivided profits for taxable year cannot be included).

Paid in surplus may arise from the sale of stock above par. If cash is paid for such stock, there is no question about the excess over par being regarded as "invested capital" under the head of paid in surplus. If *tangible property* is turned over for such stock at a value above the par value of the stock, and at the actual cash value of the property, the surplus thus created will probably not be regarded as "invested capital" unless the transaction occurred subsequent to January 1, 1914.

Earned surplus arises from the conduct and operation of the business, also from purchase and sale of assets. This amount would probably not include such items as surplus created through increase in values of property, as for example real estate re-appraisements (assumed figures)

\$160,000

\$985,000

If stock dividends were declared, the amount thereof can be regarded as invested capital under head of stock issued for cash and such amount will come out of earned surplus.

The statute provides that if good will, trade-marks, trade brands, franchise or other intangible property be purchased in good faith and paid for, specifically as such, in cash or tangible property, the value of such intangible property may be treated as invested capital, at not to exceed the actual cash paid therefor or the actual cash value of the tangible property given therefor at the time of payment. If such purchases are made out of capital or surplus, clearly no new or additional invested capital is created. It is therefore appar-

ent that this provision was intended to prevent the use of a corporation's capital, either cash or tangible property, for the purchase of intangible property which after purchase is placed on the books of the company at a higher valuation than the purchase price. In other words, to prevent the creation of an additional surplus through the purchase of intangible property at a higher valuation than the actual cash or the actual tangible property paid therefor.

DEDUCTIONS:

If any of the proceeds of the capital stock or of the paid in or earned surplus were applied to the purchase of any of the following items, deduct the *average* monthly amount thereof for the year.

Stocks, bonds (except obligations of the United States) or other assets the income from which is not subject to the excess profits tax. For example, state and municipal bonds, stocks of domestic corporations.

We will assume that the following items found in the financial statement were so purchased.

1. Bonds of State Government.....	\$10,000	
2. Stocks of domestic corporations.....	10,000	20,000

1917 Invested Capital.....\$965,000

If capital is only nominal or if not engaged in business in prewar period see page 29.

FACT II. INVESTED CAPITAL FOR 1911-1912-1913

Is computed in substantially the same way as above illustrated.

In order to estimate your excess profits tax quickly, it is not necessary to go through the labor of working out invested capital for the prewar period, provided it is clear from your books that your net income during the prewar period was either less than 7% or more than 9% of such invested capital, as the statute limits the amount of deduction which you can make from your profits for the current year to not less than 7% nor more than 9% of the capital invested in the business for the taxable year plus, of course, the fixed exemption.

FACT III. NET INCOME FOR 1917

Gross Income		Deductions	
Operations	\$650,000	Expenses	\$151,200
Interest on deposits.....	1,800	Interest on \$500,000 outstanding bonds of the corporation (would be limited if capital stock were small)	30,000
Interest on \$10,000 State Govt. bonds (exempt)	Interest on \$30,000 loan obtained to purchase
Interest on \$50,000 U. S. Govt. bonds issued before Sept. 1, 1917 (exempt)....		

Interest on \$30,000 U. S. Govt. 2nd Liberty Loan bonds—interest on \$5,000 only is exempt—Interest on balance...	1,000	chase 2nd Liberty Bonds—Interest on principal above \$5,000 i. e. \$25,000 can be deducted	1,500
Interest on \$40,000 bonds of domestic corporations	2,000	Taxes paid (except Income and Excess Profits taxes)	5,000
Interest on \$5,000 bonds of foreign corporations	250	Depreciation, losses, etc.	17,300
Dividends on \$10,000 stock of domestic corporations (exempt see deductions)	600	Dividends on \$10,000 stock in domestic corporations	600
Dividends on \$10,000 stock foreign corporations (not doing business in U. S.)	600		
	\$656,250		
Deductions.....	205,600		\$205,600
1917 Net Income...	\$450,650		

FACT IV. NET INCOME FOR 1911-1912-1913.

The net income reported in the corporation's returns for those years will be taken except that for the years 1911-12-13 income taxes paid by it within the year will be included and dividends on stock of taxable corporations received by it will be deducted in 1913 the same as in 1911 and 1912.

NOTE: If profits for prewar period were abnormally small or if not engaged in business during that period, see page 29.

RESULT

I Average invested capital for 1917	is...	\$965,000
II Net income for 1917	is...	450,650
III Average invested capital for 1911-1912-1913	is...	500,000
IV Average annual net income for 1911-12-13	is...	50,000

The prewar income IV is 10% of the prewar capital III but statute fixes a maximum of 9% and a minimum of 7%

Excess profits therefore are:

Net income 1917 (II).....	\$450,650
9% of 1917 capital (I).....	\$86,850
Exemption (corporation)	3,000
Taxable Excess Profits.....	\$360,800

Tax—How computed

		1917 Capital		Tax Rate	Tax
Deduction \$3,000 plus 9% of \$965,000 or	\$89,850	(exempt)	No Tax		
Over \$89,850 up to 15% of 965,000 is	54,900	at 20%	\$ 10,980		
Over 15% up to 20% of 965,000 is	48,250	at 25%	12,062		
Over 20% up to 25% of 965,000 is	48,250	at 35%	16,887		
Over 25% up to 33% of 965,000 is	77,200	at 45%	34,740		
Over 33%	132,200	at 60%	79,320		

Total Excess Profits \$360,800 Total Tax \$153,989

The excess profits tax is allowed as a credit in computing the 6% income tax on corporations (see page 20).

In many cases where the invested capital of a corporation is small (i. e. under \$50,000) it will be observed that the deduction of 7% to 9% of invested capital plus \$3,000, will be greater than 15% of the invested capital to which the 20% rate applies. In such cases there will be no tax at the rate of 20%, but under the wording of the statute there appears to be no authority to carry over as against the amount taxable under the 25% rate, the unused portion of the deduction. This means that under the above method of applying the tax rate, corporations in this situation will not be able to obtain the full amount of the statutory deduction. It is possible, however, that another interpretation of the method of applying this tax rate may be considered which would obviate the above situation.

Partnerships—Individuals

Invested capital of partnership would be computed substantially in the same way. As to individuals the statutory definition contains special provisions (see pages 27-28).

The rules for computing net income for 1911, 1912 and 1913 and the taxable year are the same as the income tax rules now in force.

In the case of individuals it must be borne in mind that the income subject to the excess profits tax is confined to that arising from a business, trade, profession or "occupation". The fixed exemptions for both individuals and partnerships is \$6,000.

Regulations of Internal Revenue Bureau.

The terms of the excess profits Act, particularly with respect to the definition of invested capital and the method of applying the rates of tax are open to various constructions which will be determined, in the first instance, by the Rules and Regulations to be issued by the Commissioner of Internal Revenue interpreting the Act.

CAPITAL STOCK TAX

APPLIES TO Corporations.

This tax is imposed by Act of Congress passed September 8, 1916, effective January 1, 1917. Corporations have made two reports under its terms,—the first report in January, 1917, covering the six months ended June 30, 1917, and the second report in July 1917, covering the twelve months ending June 30, 1918. The next return under this Act is due in July 1918.

§ 407 Act of Sept. 8, 1916.

Returns—When to be filed.

During July of each year every corporation, joint stock company, association or insurance company, organized for profit and having a capital stock (represented by shares) issued and outstanding of the market value of \$75,000 or over, must file a Return on Form 707 with the proper Collector of Internal Revenue.

What corporations need not file returns.

Corporations that were not engaged in business during the preceding fiscal year, i. e. the 12 months ending June 30, and those exempt under the Income Tax Law need not file Returns.

Basis and rate of tax.

This is an annual excise tax with respect to carrying on or doing business equivalent to 50c. for each \$1,000 of the fair average value of the capital stock for the preceding year, i. e. the 12 months ending June 30.

Surplus and undivided profits must be included in estimating the value of the capital stock.

An exemption of \$99,000 is allowed.

Concerns paying the Munitions Manufacturers Tax (see page 60) are entitled to credit therefor as against this tax.

Special provisions apply to deposits and reserve funds of insurance companies.

A proportionate tax is imposed on foreign corporations doing business in the United States.

When tax is to be paid.

The tax may be paid at the time the Return is filed but no penalty will be incurred if not paid until assessment is made provided the tax is paid within 10 days after notice and demand by the Collector.

ESTATE TAX.

§§ 900-901 Act of Oct. 3, 1917.
§§ 200-212 Act of Sept. 8, 1916, as amended.

Estates of decedents, whether resident or non-resident, dying after October 3, 1917, the date of the War Revenue Act, are subject to two taxes, as follows:

(1) Tax under Act of September 8, 1916, as amended March 3, 1917—Exemption \$50,000—rate $1\frac{1}{2}\%$ to 15% .

(2) Tax under Act of October 3, 1917 (War Estate Tax)—Exemption \$50,000—rate $\frac{1}{2}\%$ to 10% .

Both laws apply to the net estate after deducting various items of expense (see page 40) and the exemption of \$50,000.

Estates of decedents dying after March 3, 1917, and up to and including October 3, 1917, are subject to tax under the Act of March 3, 1917 only.

Estates of decedents dying after October 3, 1917, are subject to tax under both laws.

The Rates under the Act of March 3, 1917, are as follows:

\$	1 to \$ 50,000	No tax
	50,000 to 100,000	i. e. \$ 50,000..... $1\frac{1}{2}\%$ = \$ 750
	100,000 to 200,000	i. e. 100,000..... 3 % = 3,000
	200,000 to 300,000	i. e. 100,000..... $4\frac{1}{2}\%$ = 4,500
	300,000 to 500,000	i. e. 200,000..... 6 % = 12,000
	500,000 to 1,050,000	i. e. 550,000..... $7\frac{1}{2}\%$ = 41,250
	1,050,000 to 2,050,000	i. e. 1,000,000..... 9 % = 90,000
	2,050,000 to 3,050,000	i. e. 1,000,000..... $10\frac{1}{2}\%$ = 105,000
	3,050,000 to 4,050,000	i. e. 1,000,000..... 12 % = 120,000
	4,050,000 to 5,050,000	i. e. 1,000,000..... $13\frac{1}{2}\%$ = 135,000
	Above \$5,050,000	15%

The Rates under Act of October 3, 1917, are as follows:

\$	1 to \$ 50,000	No tax
	50,000 to 100,000	i. e. \$ 50,000..... $\frac{1}{2}\%$ = \$ 250
	100,000 to 200,000	i. e. 100,000..... 1 % = 1,000
	200,000 to 300,000	i. e. 100,000..... $1\frac{1}{2}\%$ = 1,500
	300,000 to 500,000	i. e. 200,000..... 2 % = 4,000
	500,000 to 1,050,000	i. e. 550,000..... $2\frac{1}{2}\%$ = 13,750
	1,050,000 to 2,050,000	i. e. 1,000,000..... 3 % = 30,000
	2,050,000 to 3,050,000	i. e. 1,000,000..... $3\frac{1}{2}\%$ = 35,000
	3,050,000 to 4,050,000	i. e. 1,000,000..... 4 % = 40,000
	4,050,000 to 5,050,000	i. e. 1,000,000..... $4\frac{1}{2}\%$ = 45,000
	5,050,000 to 8,050,000	i. e. 3,000,000..... 5 % = 150,000
	8,050,000 to 10,050,000	i. e. 2,000,000..... 7 % = 140,000
	Above \$10,050,000	10 %

Gross estate—how determined.

The value of the gross estate of the decedent is determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated:

(a) To the extent of the interest therein of the de-

cedent at the time of his death which after his death is subject to the payment of the charges against his estate and the expenses of its administration and is subject to distribution as part of his estate;

(b) To the extent of any interest therein of which the decedent has at any time made a transfer or with respect to which he has created a trust, in contemplation of or intended to take effect in possession or enjoyment at or after his death, except in case of a bona fide sale for a fair consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent, within two years prior to his death without such a consideration shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of the act; and

(c) To the extent of the interest therein held jointly or as tenants in the entirety by the decedent and any other person, or deposited in banks or other institutions in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have belonged to the decedent.

For the purpose of the act stock in a domestic corporation owned and held by a non-resident decedent shall be deemed property within the United States, and any property of which the decedent has made a transfer or with respect to which he has created a trust within the meaning of subdivision (b), shall be deemed to be situated in the United States, if so situated either at the time of the transfer or the creation of the trust or at the time of the decedent's death.

Net estate—how determined.

The value of the net estate shall be determined—

(a) In the case of a *resident*, by deducting from the value of the gross estate—

(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages, losses incurred during the settlement of the estate arising from fires, storms, shipwreck or other casualty, and from theft, when such losses are not compensated for by insurance or otherwise, support during the settlement of the estate of those dependent upon the decedent, and such other charges against the estate as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered; and

(2) An exemption of \$50,000;

(b) In the case of a *non-resident*, by deducting from the value of that part of his gross estate which at the time

of his death is situated in the United States that proportion of the deductions specified in paragraph (1) of subdivision (a) which the value of such part bears to the value of his entire gross estate, wherever situated. But no deductions shall be allowed in the case of a non-resident unless the executor includes in his return the value at the time of his death of that part of the gross estate of the non-resident not situated in the United States.

Executor to give notice and file return.

The executor, within thirty days after qualifying as such, or after coming into possession of any property of the decedent, whichever event first occurs, shall give written notice thereof to the collector. The executor shall also at such times and in such manner as may be required by regulations, file a Return with the collector. Return shall be made in all cases of estates subject to the tax or where the gross estate at the death of the decedent exceeds \$60,000, and in the case of the estate of every non-resident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate.

If no administration is granted upon the estate of a decedent, or if no return is filed, the collector or deputy collector shall make a return and the Commissioner of Internal Revenue shall assess the tax thereon.

Payment of tax.

The tax is due one year after the decedent's death. If the tax is paid before it is due a discount at the rate of five per centum per annum, calculated from the time payment is made to the date when the tax is due, shall be deducted. If the tax is not paid within ninety days after it is due interest at the rate of ten per centum per annum from the time of the decedent's death shall be added as part of the tax, unless because of claims against the estate, necessary litigation, or other unavoidable delay the collector finds that the tax cannot be determined, in which case the interest shall be at the rate of six per centum per annum from the time of the decedent's death, until the cause of such delay is removed, and thereafter at the rate of ten per centum per annum. Litigation to defeat the payment of the tax shall not be deemed necessary litigation.

Delay in determining tax.

If for any reason the amount of the tax cannot be determined arrangements can be made to pay a tentative amount.

Receipts for tax.

The collector shall grant to the person paying the tax duplicate receipts.

Tax payable out of estate.

The purpose and intent of the act is that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution.

Definitions.

"Person" includes partnerships, corporations and associations. "United States" includes the states, the territories of Alaska and Hawaii and the District of Columbia.

"Executor" includes administrator and if there is no administrator or executor any person who takes possession of any property of the decedent.

"Collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or if there was no such domicile in the United States then the collector of the district in which is situated the part of the gross estate in the United States, or if such part of the gross estate is situated in more than one district, then the Collector of Internal Revenue at Baltimore, Md.

Other provisions.

The statute contains provisions relating to transfers before death, the effect of non-payment of tax, penalties and other provisions concerning administration.

War estate tax.

This tax, although referred to as "War Estate Tax" in the statute, is in reality nothing more than an additional estate tax, as the Act contains no provision limiting the period of its application to the term of the war, and it will therefore stand until amended or repealed.

This War Estate Tax does not apply to transfer of the net estate of any decedent dying while serving in the military or naval forces of the United States, during the continuance of the war in which the United States is now engaged, or if death results from injuries received or disease contracted in such service, within one year after the termination of such war. For the purposes of this section the termination of the war shall be evidenced by the proclamation of the President.

SPECIAL TAXES.

These special taxes, except where noted hereafter, are part of the Internal Revenue Act of October 3, 1917, and go into effect on the different dates mentioned under each special tax.

Stamp Taxes

Applies to Bonds, Stock, Notes, Sales, etc.

§§ 800-807 Act of Oct. 3, 1917.

When the law takes effect.

On and after December 1, 1917.

Who pays tax.

The stamp tax is imposed upon the person or concern who makes, signs, issues, sells, removes, consigns or ships the instruments or articles set forth below or for whose use or benefit the same is done.

Where to obtain stamps.

At the Post Office in your locality.

Collectors of Internal Revenue, U. S. depositaries and probably stationery and other stores will have a supply of stamps.

How to cancel stamps.

A person or concern using or affixing the stamp must write or stamp or cause to be written or stamped thereon his or its initials and the date.

The Commissioner of Internal Revenue is authorized to change or modify the manner of cancelling stamps.

Bonds and certificates of indebtedness.

5¢ on each \$100 of face value or fraction thereof of bonds, debentures, or certificates of indebtedness issued on and after December 1, 1917, by any person or concern. Every renewal is taxable as a new issue.

If given in a penal sum greater than the debt secured, the tax is based upon the amount secured.

Bonds—Indemnity and Surety—other bonds.

Bonds for indemnifying any person or concern who shall have become bound or engaged as surety, and all bonds for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and all other bonds of any description, except such as may be required in legal proceedings, not otherwise provided for in the act, 50 cents. Where a premium is charged for the execution of such bond the tax is to be paid at the rate of 1% on each dollar or fractional part thereof

of the premium charged. Policies of reinsurance are exempt from the above tax.

Capital stock—original issue.

5¢ on each \$100 of face value or fraction thereof of each original issue, whether on organization or reorganization, of certificates of stock of any association, company or corporation.

Where capital stock is issued without face value, the tax is 5¢ per share, unless the actual value is in excess of \$100 per share, in which case the tax is 5¢ on each \$100 of actual value or fraction thereof.

The stamps must be attached to the stock books and not to the certificates issued.

Capital stock—sales or transfers.

2¢ on each \$100 of face value or fraction thereof on all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock in any association, company, or corporation, whether made upon or shown by the books, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock or not.

Where such shares of stock are without par value, the tax is 2¢ on the transfer or sale or agreement to sell on each share unless the actual value thereof is in excess of \$100 per share, in which case the tax is 2¢ on each \$100 of actual value or fraction thereof.

No tax is imposed upon an agreement evidencing a deposit of stock certificates as collateral security for money loaned thereon, which stock certificates are not actually sold, nor upon such stock certificates so deposited.

No tax is imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers must be accompanied by a certificate setting forth the facts.

Where the evidence of transfer is shown only by the books of the company the stamp must be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp must be placed upon the certificate. In cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank, a bill or memorandum of sale or agreement to sell showing the date thereof, the name of the seller, the amount of the sale, and the matter to which it refers must be delivered by the seller to the buyer and the stamps affixed thereto.

Proxies.

Proxy for voting at any election for officers, or meeting for the transaction of business, of any incorporated company or as-

sociation, except religious, educational, charitable, fraternal, or literary societies, or public cemeteries, 10 cents.

Powers of attorney.

Power of attorney granting authority to do or perform some act for or in behalf of the grantor, which authority is not otherwise vested in the grantee, 25 cents.

No stamps are required upon any papers necessary to be used for the collection of claims from the United States or from any State for pensions, back pay, bounty, or for property lost in the military or naval service or upon powers of attorney required in bankruptcy cases.

Deeds and conveyances.

Deed, instrument, or writing, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in the purchaser, or any other person by his direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale exceeds \$100 and does not exceed \$500, 50 cents; and for each additional \$500 or fractional part thereof, 50 cents. Does not apply to any instrument or writing given to secure a debt.

Drafts and promissory notes.

Drafts or checks that are not payable at sight or on demand, promissory notes, except bank notes issued for circulation, and for each renewal of the same for a sum not exceeding \$100, 2 cents; and for each additional \$100 or fractional part thereof, 2 cents.

Custom-house entry.

Entry of any merchandise at any custom-house, either for consumption or warehousing, not exceeding \$100 in value, 25 cents; exceeding \$100 and not exceeding \$500 in value, 50 cents; exceeding \$500 in value, \$1.

Entry for withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

Sales on exchanges and boards of trade.

Upon each sale, agreement of sale, or agreement to sell, including so-called transferred or scratch sales, any products or merchandise at any exchange, or board of trade, or other similar place, for future delivery, 2¢ for each \$100 in value and 2¢ for each additional \$100 or fractional part thereof in excess of \$100.

In each case the seller must deliver to the buyer a bill or other evidence of such sale, agreement of sale, or agreement to sell, showing the date thereof, the name of the seller, the amount of the sale and the matter to which it refers and to which the proper tax stamps must be affixed.

Sellers of commodities having paid the tax, may transfer such contracts to a clearing house corporation or association,

and such transfer shall not be deemed to be a sale, or agreement of sale, or an agreement to sell. Such transfer, however, must not vest any beneficial interest in such clearing house association but must be made for the sole purpose of enabling such clearing house association to adjust and balance the accounts of the members thereof on their several contracts.

Cash sales of products or merchandise for immediate or prompt delivery which in good faith are actually intended to be delivered are not taxable.

Parcel post packages.

Upon every parcel or package transported from one point in the United States to another by parcel post on which the postage amounts to 25¢ or more, a tax of 1 cent for each 25 cents or fractional part thereof charged for such transportation, to be paid by the consignor.

Passage tickets.

Passage ticket, one way or round trip, for each passenger, sold or issued in the United States for passage by any vessel to a port or place not in the United States, Canada, or Mexico, if costing not exceeding \$30, \$1; costing more than \$30 and not exceeding \$60, \$3; costing more than \$60, \$5. Those costing \$10 or less are not taxed.

Playing cards.

Upon every pack of playing cards containing not more than 54 cards, manufactured or imported, and sold, or removed for consumption or sale, after October 3, 1917, a tax of 5 cents per pack, in addition to the tax imposed under existing law.

The statute contains a provision relating to contracts made with dealers prior to May 9, 1917, for the sale of cards after the above tax takes effect, and requiring the dealer to pay the tax, if the contract does not authorize the addition of the tax to the contract price.

Exempt instruments.

No tax is imposed on any instrument, issued by the United States, or by any foreign Government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power, when issued in the exercise of a strictly governmental, taxing or municipal function; or stocks and bonds issued by co-operative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders, or by mutual ditch or irrigating companies.

Penalties.

Penalties are imposed for failure to affix and cancel stamps and for accepting unstamped instruments; for sending articles by parcel post without paying the tax and for many other specified evasions of the Act.

Public Facilities Tax.

§§ 500-505 Act of Oct. 3, 1917.

When law takes effect.

From and after November 1, 1917, taxes on public facilities are imposed as described below:

Who pays tax.

These taxes are to be paid by those paying for the services or facilities furnished.

Who collects tax—returns to be filed.

Those receiving payments below referred to must collect the tax from those making such payments, and make monthly returns under oath, in duplicate, and pay the taxes to the collector of internal revenue of the district in which the principal office or place of business is located.

Freight charges.

3% of the amount paid for the transportation by rail or water or by any form of mechanical motor power when in competition with carriers by rail or water of property by freight consigned from one point in the United States to another.

Express charges.

1 cent for each 20 cents, or fraction thereof, paid to those engaged in the business of transporting parcels or packages by express over regular routes between fixed terminals, for the transportation of any package, parcel, or shipment by express from one point in the United States to another. The carrier collecting such tax is not required to list separately in any bill of lading, freight receipt, or other similar document, the amount of the tax if the total amount of the freight and tax be therein stated.

Passenger fares.

8% of the amount paid for the transportation of persons by rail or water, or by any form of mechanical motor power, on a regular established line, when in competition with carriers by rail or water, from one point in the United States to another or to any point in Canada or Mexico, where the ticket therefor is sold or issued in the United States, not including the amount paid for commutation or season tickets for trips less than thirty miles, or for transportation the fare for which does not exceed 35 cents.

Parlor car seats, etc.—mileage books.

10% of the amount paid for seats, berths, and staterooms in parlor cars, sleeping cars, or on vessels. If a mileage book used for such transportation or accommodation has been purchased before November 1, 1917, or if cash fare be paid, the

tax must be collected by the conductor or other agent at the time of transportation or accommodation, and paid to the United States as directed by the Commissioner of Internal Revenue. If a ticket (other than a mileage book) is bought and partially used before November 1, 1917, it will not be taxed, but if bought but not so used before that date it will not be valid for passage until the tax has been paid and such payment evidenced on the ticket in such manner as the Commissioner of Internal Revenue may by regulation prescribe.

Oil pipe lines.

5% of the amount paid for the transportation of oil by pipe line.

Telegraph and telephone messages, etc.

5 cents upon each telegraph, telephone, or radio, dispatch, message, or conversation, which originates within the United States, and for the transmission of which a charge of 15 cents or more is imposed. Only one tax is imposed notwithstanding the lines or stations of more than one concern be used for transmission.

Tax not applicable—when.

No tax is imposed upon any payment received for services rendered to the United States, or any State, Territory, or the District of Columbia.

Special provisions apply to the transportation of commodities owned by carriers or used by them in the conduct of their business.

Insurance policies.

From and after November 1, 1917, the following taxes are imposed on the issuance of insurance policies:

(A) *Life Insurance*: A tax of 8 cents on each \$100 or fractional part thereof of the amount of insurance. If not in excess of \$500 and issued on the industrial or weekly payment plan of insurance, the tax is 40% of the amount of the first weekly premium. Policies of reinsurance are exempt from this tax.

(B) *Marine, Inland and Fire Insurance*: A tax of 1 cent on each dollar or fractional part thereof of the premium charged for insurance made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril. Policies of reinsurance are exempt from this tax.

(C) *Casualty Insurance*: A tax of 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds taxable under the stamp tax law) issued or executed or renewed by any person or concern, transacting the business of employer's liability, workmen's

compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance, and insurance described and taxed above). Policies of reinsurance are exempt from this tax.

(D) Policies issued by any person or concern, whose income is exempt from taxation under the income tax law are exempt from the taxes above described.

Returns by insurance concerns.

Every person or concern issuing taxable policies of insurance must, within the first 15 days of each month, make a return, in duplicate, and pay the tax to the collector of internal revenue of the district in which the principal office or place of business of such person or concern is located.

War Excise Taxes.

§§ 600-603 Act of Oct. 3, 1917.

When tax takes effect.

This tax became effective on October 4, 1917.

Manufacturer or importer to file returns.

Each manufacturer, producer or importer of the articles mentioned below (except yachts and pleasure boats) must make monthly returns under oath in duplicate and pay the taxes imposed on such articles to the Collector of Internal Revenue for the district in which is located the principal place of business. Such returns must be made at such times as the Commissioner of Internal Revenue may prescribe by regulations.

Taxes are imposed as follows:

Automobiles and Motorcycles.

(a) Upon all automobiles, automobile trucks, automobile wagons, and motorcycles, sold by the manufacturer, producer, or importer, a tax equivalent to 3% of the price for which so sold.

Piano Players, Phonographs, etc.

(b) Upon all piano players, graphophones, phonographs, talking machines, and records used in connection with any musical instrument, piano player, graphophone, phonograph, or talking machine, sold by the manufacturer, producer or importer, a tax of 3% of the price for which so sold.

Moving Picture Films.

(c) Upon all moving picture films (which have not been exposed) sold by the manufacturer or importer, a tax of 1/4 of a cent per linear foot.

(d) Upon all positive moving-picture films (containing a picture ready for projection) sold or leased by the manufacturer, producer, or importer, a tax of $\frac{1}{2}$ of a cent per linear foot.

Jewelry.

(e) Upon any article commonly or commercially known as jewelry, whether real or imitation, sold by the manufacturer, producer, or importer thereof, a tax of 3% of the price for which so sold.

Tennis rackets, golf balls, etc.

(f) Tennis rackets, golf clubs, baseball bats, lacrosse sticks, balls of all kinds, including baseballs, foot balls, tennis, golf, lacrosse, billiard and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games, except playing cards and children's toys and games, sold by the manufacturer, producer, or importer, a tax of 3% of the price for which so sold.

Toilet preparations.

(g) Perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet soaps and powders, or any similar substance, article, or preparation by whatsoever name known or distinguished, upon all of the above which are used or applied or intended to be used or applied for toilet purposes, and which are sold by the manufacturer, importer, or producer, a tax of 2% of the price for which so sold.

Medicinal preparations.

(h) Pills, tablets, powders, tinctures, troches or lozenges, sirups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under the War Tax on soft drinks, sirups and extracts), essences, spirits, oils, and all medicinal preparations, compounds, or compositions whatsoever, the manufacturer or producer of which claims to have any private formula, secret, or occult art for making or preparing the same, or has or claims to have any exclusive right or title to the making or preparing the same, or which are prepared, uttered, vended, or exposed for sale under any letters patent, or trade-mark, or which, if prepared by any formula, published or unpublished, are held out or recommended to the public by the makers, venders, or proprietors thereof as proprietary medicines or medicinal proprietary articles or preparations or as remedies or specifics for any disease, diseases, or affection whatever affecting the human or animal body, and which are sold by the manufacturer, producer, or importer, a tax of 2% of the price for which so sold.

Chewing Gum.

(i) Chewing gum or substitute therefor sold by the manufacturer, producer or importer, a tax of 2% for which so sold.

Cameras.

(j) Cameras sold by the manufacturer, producer, or importer, a tax of 3% of the price for which so sold.

Taxes on Goods Held by Wholesalers etc. on October 3, 1917.

Upon all articles enumerated in above paragraphs (a), (b), (c), (d), (e), (f), (g), (h), (i), or (j), which on October 3, 1917, are held and intended for sale by any person or concern other than (1) a retailer who is not also a wholesaler or (2) the manufacturer, producer, or importer thereof, a tax is imposed equal to $\frac{1}{2}$ the tax imposed by each such paragraph upon the sale of the articles therein enumerated. This tax must be paid by the person or concern so holding such articles.

In the case of articles upon which the tax imposed by existing law has been paid a return must be filed by the wholesaler, etc., within 30 days after October 3, 1917, and the added tax paid.

Goods Sold Prior to May 9, 1917.

No tax is imposed upon articles sold and delivered prior to May 9, 1917, where the title is reserved in the vendor as security for the payment of the purchase money.

Vendee to pay taxes—when.

If any person or concern has prior to May 9, 1917, made a *bona fide* contract with a dealer for the sale, after October 3, 1917, of any article upon which a tax is imposed as above stated, and if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee must in lieu of the vendor, pay so much of such tax as is not so permitted to be added to the contract price.

The taxes payable by the vendee must be paid to the vendor at the time the sale is consummated, and collected, returned, and paid to the United States by the vendor who must make monthly returns under oath in duplicate and pay the taxes collected to the Collector of Internal Revenue for his district.

The term "dealer" includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

Special provisions apply to moving picture films.

Yachts and Pleasure Boats.

On October 4, 1917, and thereafter on July first in each year, and also at the time of the original purchase of a new boat by a user, if on any other date than July first, there is imposed upon the use of yachts, pleasure boats, power boats, and sailing boats, of over five net tons, and motor boats with fixed engines, not used exclusively for trade or national defense, or not built according to plans and specifications approved by the Navy Department, an excise tax to be based on each yacht or boat, at rates as follows:

Yachts, pleasure boats, power boats, motor boats with fixed engines and sailing boats of over 5 net tons.

Length 50 feet or less—	50¢ per foot.
“ 50 — 100 —	\$1.00 “ “
“ over 100 —	2.00 “ “

In determining length the measurement of over-all length governs.

Motor boats of not over 5 net tons with fixed engines \$5 each.

In the case of a tax imposed at the time of the original purchase of a new boat on any other date than July first, the amount to be paid is the same number of twelfths of the amount of the tax as the number of calendar months, including the month of sale, remaining prior to the following July first.

Where payable.

The tax on yachts and pleasure boats is payable to the Collector of Internal Revenue for your District, unless the Commissioner of Internal Revenue provides otherwise.

Admissions and Dues Tax.

§§ 700-702 Act of Oct. 3, 1917.

Proprietor, etc., to collect tax and make return.

Every person or concern receiving payments for admissions, dues or fees mentioned below, must collect the tax from the person making such payments or when admitting any person free as stated below, must collect the tax from the person so admitted and in either case must make monthly returns under oath, in duplicate in the form prescribed by the Commissioner of Internal Revenue and pay the taxes collected to the collector of internal revenue of the district in which the principal office or place of business is located.

Places of amusement.

From and after November 1, 1917, taxes are imposed as follows:

(a) 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription, to be paid by the person paying for such admission. If an admission charge for children under 12 years of age is made the tax in every case is 1 cent.

(b) In the case of persons (except bona fide employees, municipal officers on official business, and children under 12 years of age) admitted free to any place, at a time when and under circumstances under which an admission charge is made to other persons of the same class, a tax of 1 cent for each 10 cents or fraction thereof of the price so charged to such other persons

for the same or similar accommodations, to be paid by the person so admitted.

(c) 1 cent for each 10 cents or fraction thereof paid for admission to any public performance for profit at any cabaret or other similar entertainment to which the charge for admission is wholly or in part included in the price paid for refreshment, service or merchandise; the amount paid for such admission to be computed under rules prescribed by the Commissioner of Internal Revenue, and the tax paid by the person paying for the refreshment, service or merchandise;

When persons have the permanent use of boxes or seats or a lease therefor the tax is 10% of the amount for which a similar box or seat is sold for performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder.

Places exempt from tax.

These taxes do not apply to places the maximum charge for admission to which is 5 cents, nor to shows, rides, and other amusements, (the maximum charge for admission to which is 10 cents) within outdoor general amusement parks or in the case of admissions to such parks.

These taxes do not apply to any admissions all the proceeds of which inure exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, or admissions to agricultural fairs, none of the profits of which are distributed to stockholders or members of the association conducting the same.

Definition of "admission".

The term "admission" includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor.

Dues and Membership Fees.

From and after November 1, 1917, there is imposed a tax of 10% of any amount paid as dues or membership fees (including initiation fees), to any social, athletic, or sporting club or organization, where such dues or fees are in excess of \$12 per year; such taxes to be paid by the person paying such dues or fees. This tax does not apply to amounts paid as dues or fees to a fraternal beneficiary society, order, or association, operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Occupational Taxes.

**Applies to Brokers, Theaters, Tobacco
Manufacturers, etc.**

*These taxes are imposed under Act of Congress
passed September 8, 1916, which Act remains unre-
pealed and in full force and effect.*

§§ 407-412 Act of Sept. 8, 1916.

Returns—when to be filed.

Returns must be filed with the proper Collector of Internal Revenue during July of each year or, in the case of a new concern, during the month in which the business or trade is started.

Annual taxes.

Special taxes are imposed annually as follows:

Brokers.

\$30. Those whose business it is to negotiate purchases or sales of stocks, bonds, exchange, bullion, coined money, bank notes, promissory notes or other securities for others, are deemed brokers.

Pawnbrokers.

\$50. Those who take or receive by way of pledge, pawn or exchange, any goods, wares or merchandise, or any kind of personal property whatever, as security for the repayment of money loaned thereon, are deemed pawnbrokers.

Ship brokers.

\$20. Those whose business it is as a broker to negotiate freights and other business for the owners of vessels or for the shippers or consignees of freight carried by vessels, are deemed ship brokers.

Custom house brokers.

\$10. Those whose occupation it is, as the agent of others, to arrange entries and other custom house papers, or transact business at any port of entry relating to the importation or exportation of goods, wares or merchandise, are deemed custom house brokers.

Theaters, museums and concert halls.

Proprietors of theaters, museums and concert halls according to the seating capacity as follows:

250 or less, \$25	500 to 800, \$75
250 to 500, \$50	Over 800, \$100

Includes every edifice used for the purpose of dramatic or operatic or other representations, plays or performances where a charge for admission is made. Halls and armories, rented or

used occasionally for concerts or theatrical representations are not included. If the edifice is under lease at the passage of the Act, the tax shall be paid by the lessee unless otherwise stipulated between the parties to the lease.

In cities, towns or villages of 5,000 inhabitants or less, the tax shall be at $\frac{1}{2}$ of the above rates.

Circuses.

Proprietors of circuses \$100. Includes every building, space, tent, or area where feats of horsemanship or acrobatic sports or theatrical performances not otherwise provided for in the Act, are exhibited. The special tax must be paid for each territory or state (including the District of Columbia) within which the exhibitions are held.

Other public exhibitions.

Proprietors or agents of all other public exhibitions or shows for money, \$10. The special tax must be paid for each territory or state (including the District of Columbia) within which the exhibitions are held. Chautauquas, lecture lyceums, agricultural or industrial fairs, or exhibitions held under the auspices of religious or charitable associations are not included.

An aggregation of entertainments known as a street fair shall not pay a larger tax than \$100 in any state, territory or the District of Columbia.

Bowling alleys and billiard rooms.

Proprietors shall pay \$5 for each alley or table. Includes every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes.

Tobacco manufacturers.

This tax is based on the annual sales for the preceding fiscal year.

Manufacturers of *tobacco* according to annual sales:

50,000 lbs. or less	\$3	100,000 to 200,000	\$12
50,000 to 100,000	\$6	Over 200,000	8c. per 1,000 or fr.

Manufacturers of *cigars* according to annual sales:

50,000 cigars or less	\$2	200,000 to 400,000	\$12
50,000 to 100,000	\$3	Over 400,000	5c. per 1,000 or fr.
100,000 to 200,000	\$6		

Manufacturers of *cigarettes*, including small cigars weighing not more than three pounds per thousand, shall pay at the rate of 3 cents for every 10,000 cigarettes or fraction thereof.

Manufacturers who manufacture more than one of the above classes of tobacco shall for the purpose of arriving at the amount of the tax be deemed a manufacturer of each class separately.

Penalty.

Carrying on business without paying the tax is punishable by fine not exceeding \$500 or by not more than 6 months imprisonment or both in addition to liability for the tax.

Cigars, Tobacco Products Tax.

§§ 400-404 Act of Oct 3, 1917.

When tax takes effect.

These taxes become effective on November 2, 1917 except as stated below.

Returns within 30 days after Oct. 3, 1917.

Where additional taxes are imposed by the new law upon commodities upon which the tax imposed by existing law has been paid, the person or concern required by the new law to pay the tax, must within 30 days after October 3, 1917, file a Return as prescribed by the Commissioner of Internal Revenue.

Cigars and cigarettes—manufacturer or importer.

The manufacturer or importer, in addition to existing taxes, must pay the following taxes: Takes effect November 2, 1917.

Cigars—all descriptions, weighing not more than 3 pounds per 1,000, 25c. per 1,000.

Cigars—weighing more than 3 pounds per 1,000 when manufactured or imported to retail at the following prices:

4c. to 7c. \$1 per 1000 Over 15c to 20c. \$5 per 1000

Over 7c. to 15c. \$3 per 1000 Over 20c. \$7 per 1000

Cigarettes—weighing not more than 3 pounds per 1000, 80c. per

1000—weighing more than 3 pounds per 1000, \$1.20 per 1000.

Sizes of packages and stamping requirements are prescribed by the statute. All cigarettes imported from a foreign country must be packed, stamped, and the stamps canceled in a like manner, in addition to the import stamp indicating inspection of the custom house before they are withdrawn therefrom.

Tobacco and snuff.

Upon all tobacco and snuff hereafter manufactured and sold, or removed for consumption or use, in addition to the existing tax, a tax of 5 cents per pound is imposed. Packages permitted are described. Takes effect November 2, 1917.

Manufactured tobacco and snuff on hand—dealers, etc.

Upon all manufactured tobacco and snuff in excess of 100 pounds or upon cigars or cigarettes in excess of 1,000, which were manufactured or imported, and removed from factory, or custom-house prior to October 3, 1917, bearing tax-paid stamps affixed to such articles for the payment of the taxes thereon, and

which are, on October 4, 1917, held and intended for sale by any person or concern and upon all manufactured tobacco, snuff, cigars or cigarettes, removed from factory or custom-house after October 3, 1917, but prior to November 2, 1917, there is imposed an additional tax equal to $\frac{1}{2}$ the tax imposed upon such articles as stated above.

Cigarette paper.

Upon cigarette paper made up into packages, books, sets, or tubes, made up in or imported into the United States and intended for use by the smoker in making cigarettes, the following taxes are imposed: On each package, book, or set, containing more than 25 but not more than 50 papers, $\frac{1}{2}$ of 1 cent; containing more than 50 but not more than 100 papers, 1 cent; containing more than 100 papers, 1 cent for each 100 papers or fractional part thereof; and upon tubes, 2 cents for each 100 tubes or fractional part thereof.

Vendee to pay taxes—when.

If any person or concern has prior to May 9, 1917, made a bona fide contract with a dealer for the sale after the tax takes effect of any article upon which a tax is imposed, as above stated, and if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee must in lieu of the vendor, pay so much of such tax as is not so permitted to be added to the contract price.

The taxes payable by the vendee must be paid to the vendor at the time the sale is consummated, and collected, returned, and paid to the United States by the vendor who must make monthly returns under oath in duplicate and pay the taxes collected to the Collector of Internal Revenue for his district.

The term "dealer" includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

Beverages, Perfumes, etc. Tax.

§§ 300-315 Act of Oct. 3, 1917.

Returns within 30 days after October 3, 1917.

Where additional taxes are imposed by the new law upon commodities upon which the tax imposed by existing law has been paid, the person or concern required by the new law to pay the tax must within 30 days after October 3, 1917, file a Return as prescribed by the Commissioner of Internal Revenue (§1002).

Perfumes.

In addition to existing taxes, there is imposed on all per-

fumes hereafter imported containing distilled spirits, a tax at the rate of \$1.10 per wine gallon to be collected by the Collector of Customs.

Prepared sirups or extracts.

Upon all prepared sirups or extracts (intended for use in the manufacture or production of beverages, commonly known as soft drinks, by soda fountains, bottling establishments, and other similar places) sold by the manufacturer, producer, or importer thereof, a tax is imposed based on the price at which sold by the manufacturer, producer or importer as follows:

\$1.30 per gallon or less.....	5c.	per gallon
over \$1.30 and not more than \$2.....	8c.	" "
" \$2.00 " " " " \$3.....	10c.	" "
" \$3.00 " " " " \$4.....	15c.	" "
over \$4.00	20c.	" "

Grape juice, soft drinks, mineral waters, etc.

Upon all unfermented grape juice, soft drinks or artificial mineral waters (not carbonated), and fermented liquors containing less than $\frac{1}{2}$ % of alcohol, sold by the manufacturer, producer, or importer thereof, in bottles or other closed containers, and upon all ginger ale, root beer, sarsaparilla, pop, and other carbonated waters or beverages, manufactured and sold by the manufacturer, producer, or importer of the carbonic acid gas used in carbonating the same, a tax of 1c. per gallon; and upon all natural mineral waters or table waters, sold by the producer, bottler, or importer thereof, in bottles or other closed containers, at over 10c. per gallon, a tax of 1c. per gallon is imposed.

Monthly returns by manufacturer, bottler or importer.

Each such manufacturer, producer, bottler or importer must make monthly returns to the Collector of Internal Revenue for the district in which is located the principal place of business, under regulations to be prescribed by the Commissioner of Internal Revenue.

Carbonic acid gas.

Upon all carbonic acid gas in drums or other containers (intended for use in the manufacture or production of carbonated water or other drinks) sold by the manufacturer, producer, or importer thereof, a tax of 5c. per pound, to be paid by the purchaser to the vendor thereof. The vendor must file monthly returns in duplicate and pay the tax collected to the proper Collector of Internal Revenue under regulations to be prescribed by the Commissioner of Internal Revenue.

Distilled spirits, liquors, wines, etc.

Additional taxes are also imposed on distilled spirits and upon liquors, wines, liqueurs, cordials, imitations, grape brandy and wine spirits. The act contains various administrative provisions for the collection of these taxes and provisions taxing goods on hand on the day the law was enacted.

Distilled spirits on hand on October 3, 1917, dealers, etc.

Upon all distilled spirits produced in the United States or imported upon which existing taxes have been paid and which on October 3, 1917, are held by a retailer in a quantity in excess of 50 gallons in the aggregate or by any other person or concern in any quantity and which are intended for sale, a tax at the rate of \$1.10 (or, if intended for sale for beverage purposes at the rate of \$2.10) per proof gallon is imposed. Taxes are also imposed on fermented liquors and wines on hand.

Vendee to pay taxes—when.

If any person or concern has, prior to May 9, 1917, made a bona fide contract with a dealer for the sale, after the tax takes effect of any article upon which a tax is imposed as above stated, and if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee must, in lieu of the vendor, pay so much of such tax as is not so permitted to be added to the contract price.

The taxes payable by the vendee must be paid to the vendor at the time the sale is consummated, and collected, returned, and paid to the United States by the vendor who must make monthly returns under oath in duplicate and pay the taxes collected to the Collector of Internal Revenue for his district.

The term "dealer" includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale.

MUNITION MANUFACTURER'S TAX.

§ 214 Act of Oct. 3, 1917.

The law of September 8, 1916, provides in part as follows:

"Sec. 301. (1) That every person manufacturing (a) gunpowder and other explosives, excepting blasting powder and dynamite used for industrial purposes; (b) cartridges, loaded and unloaded, caps or primers, exclusive of those used for industrial purposes; (c) projectiles, shells, or torpedoes of any kind, including shrapnel, loaded or unloaded, or fuses, or complete rounds of ammunition; (d) firearms of any kind and appendages, including small arms, cannon, machine guns, rifles and bayonets; (e) electric motor boats, submarine or submersible vessels or boats or (f) any part of any of the articles mentioned in (b), (c),

(d) or (e), shall pay for each taxable year in addition to the income tax imposed by Title I, an excise tax of 12½ per centum upon the entire net profits actually received or accrued for said year from the sale or disposition of such articles manufactured within the United States; Provided, however, That no person shall pay said tax upon net profits received during the year nineteen hundred and sixteen derived from the sale and delivery of the articles enumerated in this section under contracts executed and fully performed by such person prior to January first, nineteen hundred and sixteen.

(2) This section shall cease to be of effect at the end of one year after the termination of the present European war, which shall be evidenced by the proclamation of the President of the United States declaring such war to have ended."

Special provisions are made for the filing of returns on or before March 1, 1917, and in each year thereafter.

The above section of the Act was amended by Act of October 3, 1917, changing the rate of tax for the year 1917 to 10% instead of 12½%. Subdivision (2) of the section above quoted was amended to read as follows:

"(2) This section shall cease to be of effect on and after January 1st, 1918."

It seems that the effect of this amendment is to repeal the above tax law as of January 1st, 1918, leaving in force and effect, however, the administrative provisions for the collection of the tax for the calendar year 1917.

POSTAL RATES.

§§ 1100-1110 Act of Oct. 3, 1917.

The rate of postage on all mail matter of the first class, except postal cards, is to be increased on November 2, 1917, by the addition to the existing rate, of 1c. for each ounce or fraction thereof, provided the rate of postage on drop letters of the first class shall be 2c. an ounce or fraction thereof. (Letters addressed for local delivery by post office at which mailed are drop letters.)

Postal cards and private mailing or post cards when complying with the requirements of existing law are to be transmitted at 1c. each in addition to the existing rate.

Changes have also been made with reference to periodicals and other classes of mail.

PENALTIES

General.

§1,004 Act of October 3, 1917, provides that whoever fails to make a return required by the Act or the regulations made under the authority thereof within the time prescribed, or who makes a false or fraudulent return, and whoever evades or attempts to evade any tax imposed by the Act, or fails to collect or truly to account for and pay over any such tax, shall be subject to a penalty of not more than \$1,000, or to imprisonment for not more than one year, or both, at the discretion of the court, and in addition a penalty of double the tax evaded or not collected or accounted for and paid over.

§18, Act of September 8, 1916, as amended by §1209, Act of October 3, 1917, provides that any person or concern liable to pay the tax, to make a return or to supply information required under this title, who refuses or neglects to pay such tax, to make such return or to supply such information, at the time specified in each year, shall be liable except as otherwise specially provided in this title, to a penalty of not less than \$20 or more than \$1,000. Any individual or officer of a corporation required by law to make or verify any return or to supply any information, who makes any false or fraudulent return or statement, with an intent to defeat or evade the assessment required by this title to be made, is guilty of a misdemeanor and shall be fined not exceeding \$2,000 or imprisoned not exceeding one year or both, with the costs of prosecution. Where any tax heretofore due and payable has been duly paid by the taxpayer, it shall not be re-collected from any withholding agent required to retain it at its source, nor shall any penalty be imposed or collected in such cases from the taxpayer, or such withholding agent whose duty it was to retain it, for failure to return or pay the same, unless such failure was fraudulent and for the purpose of evading payment.

Estate Tax of 1916.

§210, Act of September 8, 1916, provides that whoever knowingly makes a false statement in any notice or return required to be filed by the statute shall be liable to a penalty of not exceeding \$5,000, or imprisonment not exceeding one year, or both. Whoever fails to comply with any duties imposed upon him by §205 (that executor must notify the collector thirty days after qualifying or after coming into possession of decedent's property and also file a return under oath in duplicate setting forth the value of decedent's estate, deductions allowed, value of net estate and tax paid or payable thereon) or having in his possession or control any record, file or paper containing or supposed to contain any information concerning the estate of the decedent, fails to exhibit the same upon request, to the Commissioner of Internal Revenue or his authorized agent, who de-

sires to examine the same in the performance of his duties, shall be liable to a penalty of not exceeding \$500 to be recovered with costs in a civil action.

Munition Manufacturers Tax.

§310, Act of September 8, 1916, provides that whoever violates the statute or the regulations made thereunder, or who knowingly makes false statements in any return or refuses to give such information as may be called for, is liable to a fine of not more than \$10,000 or imprisonment not exceeding one year, or both.

Occupational Tax.

§408, Act of September 8, 1916, provides that every person who carries on any business or occupation, for which special taxes are imposed by the statute, without having paid the special tax therein provided is liable to a fine of not more than \$500, or imprisonment of not more than six months, or both.

Other Penalties.

Other penalties not mentioned here are to be found in the general administrative provisions of the Internal Revenue Laws.

Broadway Trust Company

Woolworth Building
New York City

Branches:

EIGHTH STREET OFFICE
Broadway and Eighth Street

AETNA OFFICE
92 West Broadway

FLATBUSH OFFICE
839 Flatbush Avenue
Brooklyn, N. Y.

NEW UTRECHT OFFICE
New Utrecht Avenue and 54th Street
Brooklyn, N. Y.

LONG ISLAND CITY OFFICE
Bridge Plaza, Long Island City

Capital and Surplus

\$2,250,000

Member of the
New York Clearing House
Association

Member of
Federal Reserve Bank
of New York

Directors

M. M. BELDING, President Belding Bros. & Co.
EUGENE S. BENJAMIN, I. S. Wolf & Co.
WM. C. BREED, Breed, Abbott & Morgan
F. A. M. BURRELL, Brooklyn, N. Y.
JAMES CLARKE, New York
WARREN CRUIKSHANK, President Cruikshank Co.
WILLIAM K. DICK, Brooklyn, N. Y.
JOHN H. FLAGLER, New York
EMANUEL GERLI, E. Gerli & Co.
WALTER M. GLADDING, Vice-President Borden's Condensed Milk Co.
J. AMORY HASKELL, Vice-President E. I. duPont de Nemours & Co.
HORACE HAVEMEYER, President Havemeyers & Elder, Inc.
LEE KOHNS, L. Straus & Sons.
FREDERIC G. LEE, President
JOHN H. LOVE, Graupner, Love & Lamprecht
ADAM K. LUKE, Treasurer West Virginia Pulp and Paper Co.
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SIDNEY Z. MITCHELL, President Electric Bond and Share Co.
LEWIS E. PIERSON, Chairman Irving National Bank
JOHN J. PULLEYN, President Emigrant Industrial Savings Bank
J. L. REISS, President International Tailoring Co.
WILLIAM SKINNER, William Skinner & Sons.
THEO. F. WHITMARSH, Vice-President Francis H. Leggett & Co.
FRANK W. WOOLWORTH, President F. W. Woolworth Co.

Banking Department
Trust Department

Foreign Exchange Department
Bond Department

**END OF
TITLE**